



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Ways and Means
Senate Committee Commerce and Consumer Protection
Wednesday, March 1, 2023 at 9:30 a.m.

By

Lee Buenconsejo-Lum, Interim Dean and
Kelley Withy, MD, Professor, Department of Family Medicine and Community Health,
Hawai'i/Pacific Basin Area Health Education Center (AHEC) Director
John A. Burns School of Medicine

And

Michael Bruno, Provost
University of Hawai'i at Mānoa

SB 1035 SD1 – RELATING TO THE GENERAL EXCISE TAX

Chairs Dela Cruz and Keohokalole, Vice Chairs Keith-Agaran and Fukunaga, and
Members of the Committees:

Thank you for the opportunity to provide testimony in SUPPORT of SB 1035 SD1 which
exempts medical services provided by health care providers to patients who receive
Medicaid, Medicare, or TRICARE benefits from the general excise tax.

Hawai'i faces a shortage of almost 800 physicians. Through the surveys of physicians
conducted by the John A. Burns School of Medicine (JABSOM) at the Hawai'i Health
Workforce Summit as to what could be done to recruit and retain more physicians, the
fourth most popular answer from the 274 respondents to the survey was eliminating the
GET on medical services. Physicians who have left the State indicate that the extra
cost of caring for Medicare, Medicaid and Quest patients makes it financially
burdensome to continue practicing here. For the same reason, many physicians no
longer see this group of patients.

Medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt
from the general excise tax, while the same services rendered by individual or group
practices or clinics are fully taxable. Presently, government programs such as
Medicare, Medicaid, and TRICARE do not compensate for the difference created by the
general excise tax, leading to some inconsistency in the economic impact to health care
providers.

SB 1035 SD1 would be beneficial in eliminating the disparity in compensation as well as
easing the financial burden of caring for patients with Medicare, Medicaid and

TRICARE. This in turn may encourage more physicians to practice and remain in Hawai'i.

Thank you for the opportunity to provide testimony on this bill.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M. R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1035, S.D.1, Relating to the General Excise Tax

BEFORE THE:

Senate Committee Commerce and Consumer Protection and Senate Committee on Ways and Means

DATE: Wednesday, March 1, 2023

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 211

Chairs Keohokalole and Dela Cruz, Vice-Chairs Fukunaga and Keith-Agaran, and Members of the Committees:

The Department of Taxation (“Department”) offers the following comments regarding S.B. 1035, S.D.1, for your consideration.

S.B. 1035, S.D.1, amends section 237-24.3, Hawaii Revised Statutes, by adding a new subsection to exempt amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or medical practitioner for goods or services purchased under the Medicare, Medicaid or TRICARE programs from the imposition of the general excise tax (GET). The measure further clarifies that the exempted services may be performed by a physician’s assistant, nurse, or other employee under a medical practitioner’s direction rather than having to be specifically rendered by the medical practitioner. S.B. 1035, S.D.1, has a defective effective date of December 31, 2050.

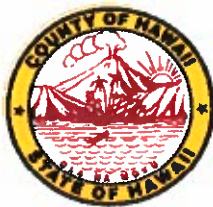
The Department notes that it can implement this measure with an effective date of no earlier than January 1, 2024.

Further, assuming a January 1, 2024 effective date, the Department estimates a revenue loss to the general fund as follows (\$ millions):

FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
-22.2	-52.7	-54.4	-56.6	-59.2	-65.6

Thank you for the opportunity to provide comments on this measure.

Mitchell D. Roth
Mayor



Lee E. Lord
Managing Director

Robert H. Command
Deputy Managing Director

County of Hawai'i Office of the Mayor

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February 28, 2023

Chair, Sen. Jarrett Keohokalole
Vice Chair, Sen. Carol Fukunaga
Committee on Commerce & Consumer Protection

Chair, Sen. Donovan M. Dela Cruz
Vice Chair, Sen. Gilbert S.C. Keith-Agaran
Committee on Ways & Means

Hawai'i State Legislature
415 S. Beretania Street
Honolulu, Hawai'i 96813

Subject: S.B. 1035 SD1 RELATING TO GENERAL EXCISE TAX
Hearing Date: Wednesday, March 1, 2023, at 9:30 a.m.
Time/Place of Hearing: Via Video Conference, Conference Room 211

Aloha Chair Keohokalole, Vice Chair Fukunaga, and members of the Committee on Commerce & Consumer Protection; Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee on Ways & Means,

The County of Hawaii strongly supports S.B.1035 SD1, which exempts healthcare providers from the general excise tax if they are serving patients who receive Medicaid, Medicare, or TRICARE benefits.

We believe S.B.1035 will result in more cost-effective services to patients and provide necessary tax relief for physicians who struggle to maintain their practices while delivering quality healthcare in our community.

If passed, S.B. 1035 will have a significant impact on Hawai'i Island where small practices are integral to serving such a large rural geographic area. We support any legislative initiatives that remove barriers to help our physicians thrive.

We highly encourage the Committees to move this legislation forward with positive recommendations for passage in the Senate.

Mahalo

A handwritten signature in black ink, appearing to read "Mitchell D. Roth". The signature is fluid and cursive, with the first name "Mitchell" written in a stylized, overlapping manner.

Mitchell D. Roth
Mayor
County of Hawai'i



SB1035 SD1 Remove GET for Medical Services

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

Wednesday, Mar 1, 2023: 9:30 Room 211

Hawaii Substance Abuse Coalition Supports SB1035 SD1:

ALOHA CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization for substance use disorder and co-occurring mental health disorder treatment and prevention agencies.

HSAC Supports Removing GET from Medical services for Advanced Practice Registered Nurses, Physician Assistants (Physician Associates), and Physicians services as well as exempt amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or medical practitioner for goods or services purchased under the Medicare, Medicaid or TRICARE programs from the imposition of the general excise tax (GET). The measure further clarifies that the exempted services may be performed by a physician's assistant, nurse, or other employee under a medical practitioner's direction rather than having to be specifically rendered by the medical practitioner.

There is a major decline in our Hawaii physician workforce. A large number of the physician practices do not have the financial capacity to continue providing quality care in the face of ever decreasing (inflation erodes value of prices) Medicare/Medicaid reimbursements coupled with the General Excise Tax (GET).

Healthcare providers must absorb this tax, which federal law forbids passing to patients.

Hawaii is in desperate need to increase the number of providers that are able to accept Medicare/Medicaid patients. The patients are the ones who suffer. Patients

with limited income and Medicaid/Medicare health care coverage need as many physicians as possible to accept coverage even if they are underinsured. Working together we can address even more significant efforts such as increasing Medicaid/Medicare reimbursement rates so that Hawaii people can access quality healthcare and build a workable healthcare workforce. Together we can help all of Hawaii to live a healthy life.

We appreciate the opportunity to provide testimony and are available for further questions.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for Medical Services for Medicare; Medicaid; TRICARE

BILL NUMBER: SB 1035 SD 1

INTRODUCED BY: Senate Committee on Health and Human Services

EXECUTIVE SUMMARY: Exempts medical services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits from the general excise tax.

SYNOPSIS: Amends section 237-24.3, HRS, by adding a new paragraph providing an exemption for amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or a medical practitioner for health care related goods or services purchased under the Medicare, Medicaid, or TRICARE program. Services need not be performed by a medical practitioner but may be performed by a physician's assistant, nurse, or other employee under the medical practitioner's direction.

Defines “medical practitioner” as a physician or osteopathic physician, licensed pursuant to chapter 453; an advanced practice registered nurse licensed pursuant to chapter 457; or a pharmacist licensed pursuant to chapter 461.

Defines “Medicaid” as the program established under Title XIX of the Social Security Act of 1935, as amended.

Defines “Medicare” as the program established under Title XVIII of the Social Security Act of 1935, as amended.

Defines “TRICARE” as the program of the Department of Defense military health system managed by the Defense Health Agency, or any successor program.

EFFECTIVE DATE: December 31, 2050.

STAFF COMMENTS: As stated in the bill’s preamble, medical services rendered at a nonprofit hospital, infirmary, or sanitarium are exempt from the tax, whereas the same services rendered by individual or group practices or clinics are fully taxable. Insurance providers and Medicare do not compensate for the tax differential, leading some health care providers to bear additional economic costs.

This problem is especially acute when the payer is a governmental health program. Medicare regulations (42 CFR sec. 424.55(b)) prohibit the surcharging of most additional costs to patients, including taxes. Medicare Claims Processing Manual, ch. 23, sec. 80.3.1.A

(<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads-clm104c23.pdf>) . TRICARE has a similar prohibition (32 CFR sec. 199.14(j)(1)), as explained at https://www.tricare-west.com/content/hnfs/home/tw/prov/res/provider_news/clarification-on-

hawaii-general-excise-tax-reimbursement.html. We understand that Medicaid has a similar prohibition as well.

In the meantime, there is a physician shortage in Hawaii that has been well documented. The final Hawai'i Physician Workforce Assessment Project Report for 2020 (https://www.hawaii.edu/govrel/docs/reports/2021/act18-sslh2009_2021_physician-workforce_annual-report_508.pdf) conducted by the University of Hawai'i at Mānoa John A. Burns School of Medicine (JABSOM) and submitted to the Hawai'i State Legislature in December 2020, the pandemic has challenged continued physician practice in Hawai'i and is expected to increase the relative shortage of physicians for the state for the next several years as older physicians leave their practices.

Some physician groups have alleged that the GET applied to medical services has been one of the drivers of this shortage. This assertion is backed up by the 2008-2010 experience of Hawaii Medical Center (HMC), a for-profit hospital which went into bankruptcy and tried to reorganize as a nonprofit. That plan, according to HMC's then-CFO, would relieve the hospitals of as much as \$6 million in annual taxes, including general excise and property taxes.

The Foundation does believe that there is evidence supporting an industry-specific GET exemption here, which would be appropriate to correct the unfairness of its application to private doctors and clinics as opposed to nonprofit hospitals and clinics.

Digested: 2/25/2023



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The State Legislature
Senate Committee on Commerce and Consumer Protection
Senate Committee on Ways and Means
Wednesday, March 1, 2023, Conference Room 211, 9:30 a.m.

TO: The Honorable Jarrett Keohokalole, Chair

The Honorable Donovan Dela Cruz, Chair

RE: Support of S.B. 1035 SD 1 Relating to General Excise Tax

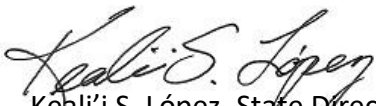
Aloha Co-Chairs Keohokalole and Dela Cruz and Members of the Committees:

My name is Keali'i Lopez and I am the State Director for AARP Hawai'i. AARP is a nonpartisan, social impact organization that advocates for individuals age 50 and older. We have a membership of nearly 38 million nationwide and nearly 140,000 in Hawaii. We advocate at the state and federal level for the issues that matter most to older adults and their families.

AARP supports S.B. 1035 SD1 which exempts medical services provided by health care providers to patients who receive Medicaid, Medicare or TRICARE benefits from the general exercise .

According to Hawaii Physician Workforce Assessment Project annual report to the 2023 state Legislature, it is estimated that Hawaii has an unmet need of 776 full-time-equivalent physician with the greatest area of need in primary care but there are also significant shortages in specialty care. This shortage continues to escalate with more physicians retiring, and/or moving and closing their local practices due to the high cost in Hawaii; meanwhile the demand for health care continues to increase especially with an aging population. Having access to quality, timely healthcare services and a robust healthcare workforce is critical to keeping all Hawaii residents healthy and well. There are approximately 279,000 Medicare beneficiaries in Hawaii and AARP strongly encourages the State to explore all different avenues and opportunities in supporting Hawaii's health care providers in their care for all patients especially kūpuna, residents in rural areas and others with limited income and health care coverage. Thank you very much for the opportunity to testify in support of **S.B. 1035, SD1**.

Sincerely,


Keali'i S. López, State Director

¹ "Annual Report on Findings from the Hawai'i Physician Workforce Assessment Project: Report to the 2023 Legislature," University of Hawai'i, December 2022.

Dear Senators,

Hawaii has a severe shortage of healthcare providers and an access to care crisis, which has been documented by AHEC for many years and reported in hundreds of news stories. The lack of access to healthcare has resulted in significant healthcare disparities, especially on our Neighbor Islands and rural areas with higher mortality rates for cardiovascular disease, cancer, trauma, hepatitis C, asthma, COPD, suicide and adolescent deaths as confirmed by Department of Health statistics.

The reason for the severe shortage of healthcare providers in Hawai'i is primarily financial. Hawaii has the highest cost of living and providing medical services in America. Hawaii's reimbursements are among the lowest nationally. Please note that Hawaii's healthcare providers are documented by Becker's ASC review to have the lowest pay adjusted for the cost of living in America.

Lowest annual compensation adjusted for cost of living

- District of Columbia (47)
- New York (48)
- Vermont (49)
- Connecticut (50)
- Hawaii (51)

<https://www.beckershospitalreview.com/compensation-issues/rn-pay-for-all-50-states-adjusted-by-cost-of-living.html>

<https://www.beckersasc.com/benchmarking/np-pay-for-all-50-states-adjusted-by-cost-of-living.html>

https://hawaiijournalhealth.org/past_issues/hjmph7603_S1_0024.pdf

The Senate Health Committee has also heard multiple measures to improve access to healthcare. Chair San Buenaventura understands that Hawaii has a severe shortage of healthcare providers and an access to care crisis. The Hawaii Tax Foundation President advised the Senate Health Committee that SB1035 had the best chance of passage. The Health Committee therefore advanced SB1035 by a vote of 5-0.

A robust healthcare provider system is important for the economic health of Hawai'i . Mayor Mitch Roth supports these bills and has noted that it is difficult to attract businesses and new industries to our island, if business owners are unable to ensure healthcare access to their employees and family. The loss of additional medical practices is a huge concern. The Hilo Community Surgical Center and Hale Lea Medical Clinic, the largest primary and urgent practice on Kauai's north shore, were both recently discussed on the front page of local newspapers, as threatened with closure due to fiscal conditions. Our local group of 15 radiologists proudly provided 24/7/365 coverage of our local hospitals for 60 years, but had to recently dissolve our professional corporation because we only have 6 remaining specialists with most nearing or past retirement age.

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KILAUEA MEDICAL CLINIC MAY CLOSE

CEO: 'Every month is a cliffhanger'

Guthrie Scrimgeour
THE GARDEN ISLAND

KILAUEA — The Kaua'i Community Health Alliance receives between 17,000 and 20,000 patient visits each year, providing a range of treatment to largely working-class people from the Ha'ena to Kapa'a.

They soon may be unable to keep their doors open, their CEO says.

"Every month is a cliffhanger," said Jim Winkler, who serves as CEO and president of KCHA while also practicing at the Hale Lea Medicine clinic.

"The clinic is currently running at a deficit. While we have not missed payroll in 28 years, we are not able to operate for much longer due to a confluence of circumstances."

The clinic has been in operation since 1994 and has functioned as a nonprofit since 2008. KCHA houses both the Hale Lea Medicine and Urgent Care and the North Shore Wellness Center. Since they treat a large number of underinsured patients, they struggle to make ends meet and rely on community support for a portion of their budget.

If the center were to close, it could result in significant disruption for its patients, who would have to scramble to access care in the limited North Shore market. There is only one primary-care clinic on the North Shore — the North Shore Medical Center — which has limited hours and a smaller staff than KCHA. The next closest clinic is Ho'ola Lahui in Kapa'a.

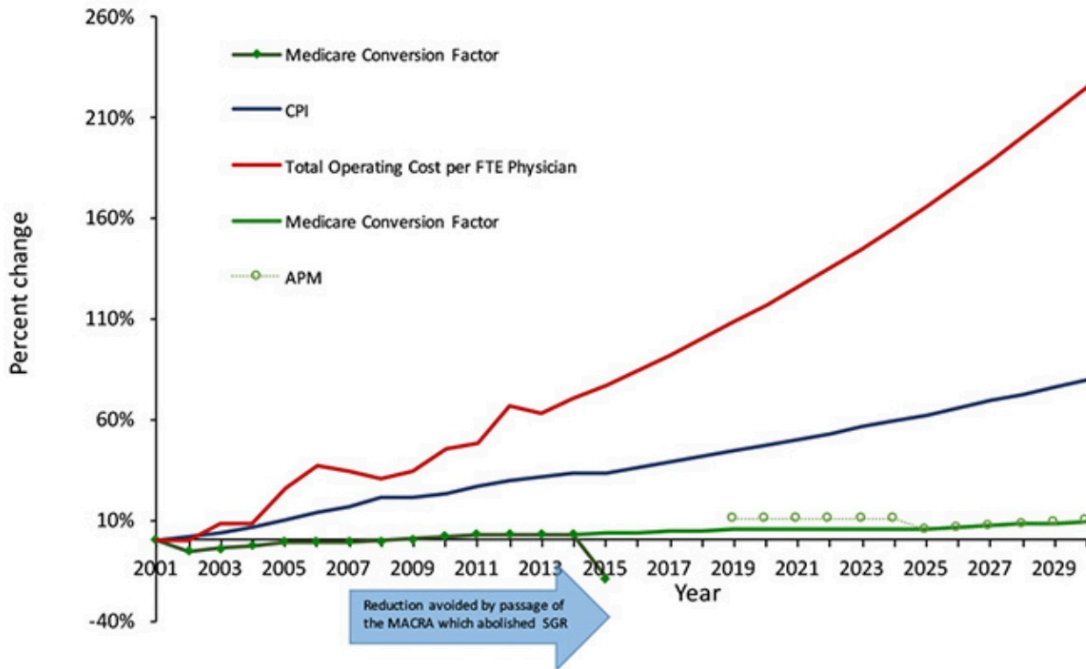
"A lot of those people (on the North Shore) don't want to go to Kapa'a. Location is an issue regardless of who is providing the services," said Dr. Kapono Chong-Hanssen, chief medical director at Ho'ola Lahui.

"We could take some of them, and if all of our community partners got together we could

SEE CLINIC, A4

I have testified that with post COVID burnout, the Access to Care survey showing half of providers considering quitting medicine, leaving Hawaii or cutting back hours, mass retirements of our rapidly aging workforce and the fiscally impossible challenges of seeing reimbursements fall each year while our cost of providing services soar, that there will be few private practices left to tax with the GET in 3-5 years. This will drastically effect Hawaii's rapidly growing Medicaid population which exceeds 440,000. Having insurance coverage is of very little value if there are no healthcare providers to care for you.

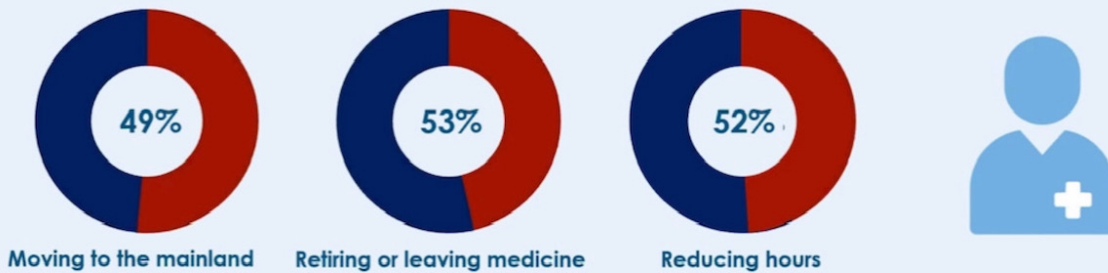
Chart 2: Cumulative percent change in operating expenses for physician-owned, multispecialty with primary care only groups, the Consumer Price Index, and Medicare physician payments; APM scenario (2001-2030)



Further compounding the crisis, Hawai'i may be losing more Providers.

Roughly one-quarter say they are less than five years away from retirement.

Over the past year, health care providers have considered:

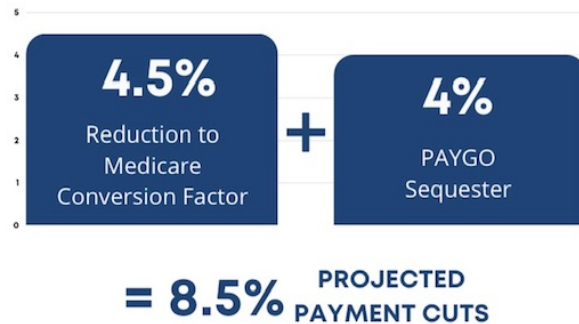


Most medical practice nationally report breaking even on providing Medicare services and losing money caring for Medicaid patients. Hawaii's GET taxation on private practices is ruinous, because gross revenues are taxed even if providers break even or lose money treating patients. Rather than progressively tax doctors, PAs, APRNs and nurses for their higher income, the GET taxation of gross revenues is a practice killer preventing many practices from even realizing a business profit. For this reason Hawaii has the lowest number of providers able to accept Medicare patients in America.

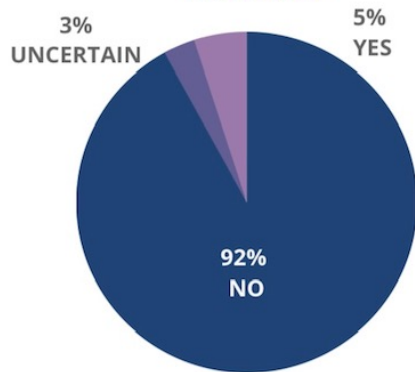


After two years of financial uncertainty due to the ongoing COVID-19 pandemic, practices are once again facing significant projected payment cuts to Medicare in 2023. In 2022, practices absorbed a 2% reduction to Medicare payment with the reintroduction of Medicare sequestration. This is compounded by record-breaking inflation reaching 9.1%. Already challenged with financial constraints and reductions in payment, looking ahead to 2023, group practices face a 4.5% reduction to the Medicare conversion factor and a 4% PAYGO sequester, reducing Medicare payment by at least 8.5%.

**PROJECTED MEDICARE PAYMENT CUTS
ON JAN. 1, 2023**



**DOES MEDICARE REIMBURSEMENT IN 2022
ADEQUATELY COVER THE COST OF CARE
PROVIDED?**



MGMA conducted a survey of 517 medical group practices, ranging from small single provider practices to large 2400 physician health systems across 45 states, assessing the potential impact of such payment cuts to Medicare rates in 2023, and evaluating how their practices would respond to such payment cuts.

According to 92% of surveyed group practices, Medicare rates in 2022, before the projected 8.5% payment cuts take effect, already inadequately cover the cost of furnishing care.

TO OFFSET THE REDUCTIONS IN PAYMENT, GROUPS OF ALL SIZES ARE CONSIDERING WHAT BUSINESS DECISIONS MUST BE MADE TO ENSURE THE FINANCIAL SOLVENCY OF THEIR PRACTICES:

- **58%** are considering **limiting the number of new Medicare patients;**
- **66%** are considering **reducing charity care;**
- **58%** are considering **reducing the number of clinical staff;** and
- **29%** are considering **closing satellite locations.**

Lowest Physician Medicare-Acceptance Rate

- 47. New York
- 48. California
- 49. Oregon
- 50. District of Columbia
- 51. Hawaii

Please note that the information that providers could pass the GET to Medicare and TriCare patients in the Department of Taxation Tax Facts 98-1 was in error. This is expressly forbidden by federal policies and CMS has advised that providers who pass the GET on to Medicare patients will be referred to the Inspector General for investigation of Medicare fraud. We appreciate that this guidance was corrected by the Department in Jan, 2023. Most providers do not pass the GET to Medicaid patients because they cannot afford it and it becomes a barrier to care.

8 Are the amounts the physician receives from Medicare, Medicaid and/or TRICARE subject to GET?

Yes. The amounts the physician receives from Medicare, Medicaid and/or TRICARE are subject to GET. The physician may charge you GET on these amounts as a way to recover their expense.

In the near future, there will likely be few private practices remaining. If no action is taken to prevent this outcome. If Hawaii loses the remaining providers in private practice, this could well trend GET revenues toward zero in the next 3-5 years. That means Hawaii loses not only GET revenues from taxing healthcare, but also income, property, corporate and secondary GET taxation on all other purchases from the lost healthcare providers. The Healthcare Association of Hawai'i has stated that taxing Hawaii's hospitals with the GET would result in many reducing services or closing their doors. If the GET taxation of hospitals would badly damage the viability of our state's hospital systems, then how can the devastating GET taxation of small businesses providing medical care be pono.

Please support SB1035/HB662. If Hawaii has a fiscally viable environment then recruiting hundreds of doctors and thousands of needed healthcare workers would boost our economy and increase overall tax revenues. The AARP, Kupuna Caucus, Hawaii Island Chamber of Commerce, Hawaii County Mayor's Office, Hawaii County Medical Society, HMA, JABSOM, HAPN and Hawaii Tax Foundation support these bills.

The most concerning aspect of Hawaii's chronic severe shortage of healthcare providers is the impact on population. Hardly a week goes by without another new story documenting the toll on our communities. Every month over the last year I see one or more patients at our mammography clinic in Hilo, who have large palpable advanced breast cancers with metastatic adenopathy. Almost all of these women state that they noted their breast cancers many months ago, but were unable to find a primary care provider to refer them for care. One woman said she called six different primary care practices, all of whom were not accepting new patients. She finally went to urgent care and the ER in order to have her cancer worked up. Unfortunately, with late stage breast cancer, the survival rate is greatly diminished.

Aloha,
Scott Grosskreutz, M.D., FACR
Hawaii Provider Shortage Crisis Task Force



LAURA RUMINSKI/West Hawaii Today file photo

Kona Community Hospital.

Cancer care in crisis

Lack of staff forces
Kona hospital's
cancer center to turn
away new patients

By **LAURA RUMINSKI**
West Hawaii Today

Kona Community Hospital has temporarily stopped accepting new patients in its medical oncology and chemotherapy infusion clinics, forcing those needing care to travel to Waimea, Hilo or Honolulu for treatment.

KCH Marketing and Strategic Planning Director Judy Donovan said the decision to not accept new patients as of Oct. 6 was made because of "a serious staffing crisis" within the clinics, however, current patients are still being treated.

The Kona Cancer Center's chemotherapy infusion clinic is currently managing 494 patients and the medical oncology clinic has 705 patients at present. Donovan said the patient census since last year has fluctuat-

one registered nurse (RN) and one medical assistant in the medical oncology clinic.

The infusion clinic employs two RNs, one traveling RN and two per diem RNs when available.

Donovan said optimal staffing for the infusion clinic is four to five RNs, four patient access reps, two charge nurses, three medical assistants and two patient navigators. She was unable to provide details regarding the oncology clinic, however, noted both clinics are in need of more RNs and medical assistants.

"We have implemented a plan to staff up. Currently, we have three infusion RN travelers contracted to begin; one on October 11, one at the beginning of November and the third at the beginning of December," said Donovan via email. "This week we hired an oncology clinic manager whose start date is November 1. We had excellent candidates for this position, and are very optimistic about the experience our new manager will bring to the oncology and infusion clinics."

Donovan said like many health care facilities, Kona Community

safe, quality treatment and the full attention of the staff who are committed to their care."

In the interim, patients are being referred to Queen's North Hawaii Community Hospital in Waimea and Hilo Medical Center for treatment.

Hilo Medical Center is accepting new patients and has experienced a slight increase in patient referrals since Kona Community Hospital has stopped accepting new patients.

"We have adequate staffing at this time, as we are growing in anticipation of moving into our new cancer center space," said Elena Cabatu, HMC director of marketing and public affairs. "We have seen a slight increase in patient referrals, which we welcome here to serve the entire island."

Kaiser Permanente spokesperson Laura Lott said the provider's Kona medical office provides members with oncology and infusion services.

"The changes at Kona Hospital should not affect our infusion patients," she said.

Economic Impact of Physicians: By Island

Source Data:

American Medical Association's National Economic Impact of Physicians, 2018.

Every Physician in the United States generates

- \$3,166,901 in aggregate economic output.
- 17 jobs.
- \$1,417,958 in total wages and benefits.
- \$126,129 in state and local tax revenues.

Preliminary Findings of the Annual Report on Findings from the HI Physician Workforce Assessment Project to 2021 Legislature Courtesy of Dr. Kelly Withy.

2020	O'ahu	Big Island	Maui County	Kaua'i	Statewide
Shortage	475	287	191	60	1014
Percentage	20	53	43	33	29

Hawaii Statewide:

1014 new Hawai'i physicians could reasonably be expected to generate:

- \$3,211,237,614 in aggregate economic output.
- 17,238 new jobs.
- \$1,437,809,412 in total wages and benefits.
- \$127,894,806 in state and local tax revenues.

Oahu County

475 new Hawai'i physicians could reasonably be expected to generate:

- \$1,504,277,975 in aggregate economic output.
- 8075 new jobs.
- \$673,530,050 in total wages and benefits.
- \$59,911,275 in state and local tax revenues.

Hawai'i County:

287 new Big Island physicians could reasonably be expected to generate:

- \$908,900,587 in aggregate economic output.

- 4879 new jobs.
- \$406,953,946 in total wages and benefits.
- \$36,199,023 in state and local tax revenues.

Maui County

191 new Hawai'i physicians could reasonably be expected to generate:

- \$604,878,091 in aggregate economic output.
- 3247 new jobs.
- \$270,829,978 in total wages and benefits.
- \$24,090,639 in state and local tax revenues.

Kauai County

60 new Hawai'i physicians could reasonably be expected to generate:

- \$190,014,060 in aggregate economic output.
- 1020 new jobs.
- \$85,077,480 in total wages and benefits.
- \$7,567,740 in state and local tax revenues.

Health Care

‘It’s Horrendous’: The Deaths Of 2 Doctors Deepen The Void In Rural Health Care Access

Nearly half of Molokai's population lost their primary care physician in a state that has long struggled to attract and retain medical professionals.



By Brittany Lyte / January 20, 2023

Reading time: 9 minutes.



Doctors have long been in short supply on Molokai, where residents must board a plane to access specialized care and routine treatment is propped up by a revolving door of fly-in physicians.



But for decades primary care on this island of fewer than 7,000 residents was buoyed by a pair of physicians who embedded themselves in the community, providing comprehensive, day-to-day health care to nearly half the population.

Then came an unexpected hurdle: They died.

In a span of three months late last year, Dr. William Longfellow Thomas, 63, and Dr. Noa Emmett Aluli, 78, died, leaving thousands of Molokai patients without a primary care physician.

HAWAII'S MENTAL HEALTH CRISIS

Why This Hawaiian Island Has To Outsource Psychiatric Care

For the first time since 1990, the state agency that provides care to adults diagnosed with a serious mental illness has no staff on Lanai. The problem is a microcosm of a statewide mental health care crisis.

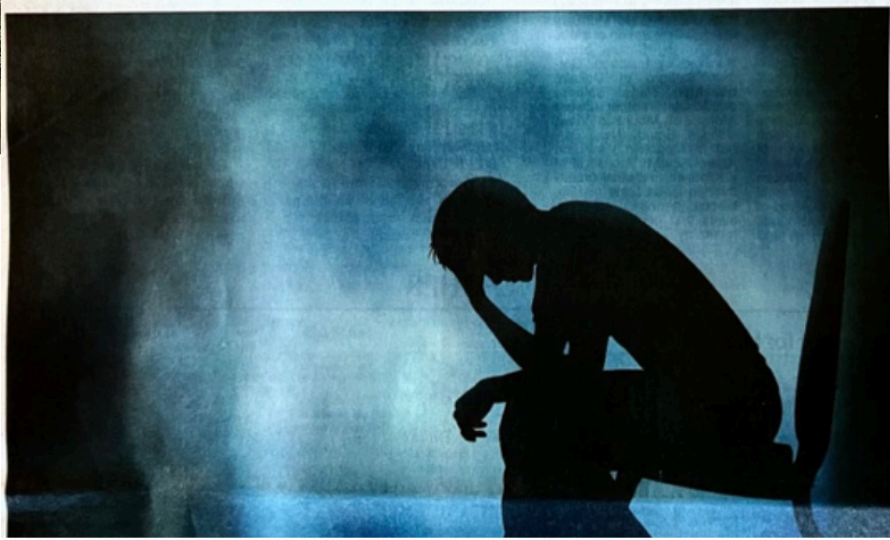
By Brittany Lyte / October 19, 2022



Monday, October 17, 2022 Proudly serving Hilo and the Big Island since 1923 \$1.00

A deficit of mental health

Pandemic isn't solely to blame, experts say; politics also a factor



By GRANT PHILLIPS
Hawaii Tribune-Herald

A recent survey from CNN and the Kaiser Family Foundation found 90% of people in the U.S. think the country is experiencing a mental health crisis.

The U.S. Centers for Disease Control and Prevention backed up the report, adding those seeking help increased from 1 in 5 to 2 in 5 people during the COVID-19 pandemic.

But some health care providers in Hawaii think the reason for the increase isn't just the pandemic, citing a variety of symptoms such as stress, political conflict, work staffing shortages, insurance issues and because there's less of a stigma for those who



cism, sexism, denial of rights certain groups of people, war Europe, inflation, corporate greed, global climate change, emigration, low wages, and many other issues," he said. "Our mental health issues are a symptom of a broken system." Over the last two years, Faust has noticed an increase in narcissistic personality disorder, NPD, and antisocial personality disorder, ASPD, among his patients. "In layman's terms, people with NPD are sociopaths, and one with ASPD are psychopaths," he said. "The combination of the two disorders potentially deadly, such as serial killers and mass murderers, but also the kind of people who would abuse or even kill their romantic partner." He added that victims of PD- and ASPD-related abuse often suffer from post-traumatic stress disorder, or complex PTSD, which also increases the number of people seeking mental health services. Financial challenges from job loss and the rising cost of living also contributed to people seeking help with their mental health. A 2022 survey from

panicking, and a lot of people's mental illnesses were triggered," said Karmi Macdonald, executive director of the National Alliance on Mental Illness Hawaii, or NAMI. "People were calling us saying, 'I can't get a therapist, there's a three- or six-month long wait list, and I'm in crisis. What do I do?'" To meet demand, NAMI offered support, education and awareness groups for those in recovery and their families. But as pandemic restrictions loosened up, people started abandoning their groups. "We get a lot of calls and a lot of people asking for help. But then something was weird. They needed the help, but they stopped attending our classes," said Macdonald. "Anecdotally, this has been across the state. People are dropping out of programs, and we've had to cancel or postpone classes." Macdonald believes people are leaving treatment in favor of returning to their personal lives, without completing the necessary steps to improve their mental health. "People are in crisis, but they want to be out," she

most needed medical specialty, followed by psychiatry at 73%. "I think a lot of people are starting to realize the importance of mental health when it comes to physical health," said Katherine Goodman, medical assistant and clinical psychology intern on Oahu. "A lot of people with chronic pain, hypertension, high blood pressure — they're starting to see how their anxiety affects it." Goodman noted even though her patient caseloads have remained stable, staffing shortages have created barriers. "It's not that we're seeing more people seeking services," she said. "It's that there's less providers being hired." One recent solution was implementing the 988 Suicide & Crisis Lifeline, a nationwide call center launched in July. But one report from the federal government's Substance Abuse and Mental Health Services Administration, or SAMHSA, showed that while the call center reported a 45% increase in contacts, the lifeline reported just an 84% answer rate due to staffing shortages. While more patients reach

While more patients reaching out and discussing mental health helps eliminate the stigma, providers are worried demand will outpace supply.

"I think it's a positive that patients are more aware, but it's also concerning that the answer might be therapy," said Goodman. "How can they get it when there's a shortage of providers?"



Testimony to the Senate Committees on Commerce and Consumer Protection and on
Ways and Means
Wednesday, March 1, 2023
9:30 a. m.
State Capitol Conference Room 211 and via videoconference

Re: SB 1035 SD 1 Relating to the General Excise Tax

Dear Chair Keohokalole, Vice Chair Fukunaga, Honorable Members of the Senate Committee on Commerce and Consumer Protection, Chair Dela Cruz, Vice Chair Keith-Agaran, and Honorable Members of the Senate Committee on Ways and Means.

I am Gary Simon, a member of the board of the Hawaii Family Caregiver Coalition, whose mission is to improve the quality of life of those who give and receive care by increasing community awareness of caregiver issues through continuing advocacy, education, and training.

The Hawaii Family Caregiver Coalition supports SB 1035 SD 1, which exempts from the general excise tax (GET) amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or a medical practitioner for health care related goods and services purchased under Medicaid, Medicare, or TRICARE.

Access to healthcare by patients with Medicare, Medicaid and TRICARE coverage is decreasing as physicians retire, relocate to the mainland, or opt to not participate in government insurance programs due to low reimbursements and the GET. Hawaii needs to remove barriers and provide incentives for physicians to practice here in the state.

We urge you to support SB 1035 SD 1 and we urge you to recommend its passage.

Thank you for seriously considering the Bill.

Very sincerely,

A handwritten signature in black ink that reads "Gary Simon".

Gary Simon



Email gsimon@aarp.org

Joyful Living, LLC



JOYFUL LIVING, LLC
MATTHEW S. DYKEMA D.O
1248 KINOOLE ST #101
HILO, HI 96720-4171
PH: (808)935-8398 FAX: (808)934-8151

Dear Congressman and Congresswoman:

As way of introduction, I am Dr. Matthew Dykema, a family medicine physician in Hilo. I am writing to express my support of SB1035 which seeks to exempt medical services from the Hawaii State General Excise Tax. I moved to Hawaii in 2012 to work at Bay Clinic, an FQHC (federally Qualified Health Center). I served as a family physician there for 4 years, prior to taking over a well-established private practice of a retiring physician in May 2017. My goal and vision of being a healthcare provider in Hilo is to offer compassionate and excellent care to all my patients and provide them with support and education, to foster an environment for healing, and to equip my patients to live their best life possible. I have the honor of caring for many diverse families: Mothers, Fathers, Children, Grandchildren, Grandparents and Great-Grandparents, over many social spectrums, ethnicities, and educational levels. These are your constituents who chose you to represent them and to make decisions on their behalf, in their best interest. It is my honor to care for them and help them in their most vulnerable times, and to help them navigate their health needs, as life comes and goes. I know that you also are honored to serve and represent them. You have a tremendous duty and responsibility to navigate the present, and to look forward to the future to ensure it is sustainable and that the needs of your constituents are met and cared for across all generations.

Over the last 11 years, of practicing medicine on Hawaii Island, I have seen the landscape of healthcare evolve, locally and nationwide. Unfortunately, the shortage of physicians has grown and access to quality primary healthcare continues to diminish. The trend seems to be larger health care institutes buying out smaller clinics for financial gain. Older physicians are either getting sick, dying, or retiring, and younger physicians are rightfully hesitant to come to our islands. Indeed, many younger physicians I know who had practices in Hilo have either left private practice, no longer accept insurance, or have closed their practices and moved to the mainland. It used to be that if you were a physician, you could expect to make a reasonable living for yourself and provide for your family. You could open a small business/practice and expect to do relatively well for yourself if you did a decent job of caring for those you served. I have found that in the state of Hawaii in recent years this is not at all the case. Due to increased regulations, reporting, administrative burdens, increased cost of operations, and decreasing reimbursements, it is now financially very challenging to cover the bottom line as a private family physician, let alone to be profitable. While I hope that I will be able to continue to practice medicine in Hilo for many decades to come, it is hard to see how the current market for healthcare is sustainable for more than a few more years. As reimbursements continue to drop, cost of living/operations increases, and administrative burdens increase, it is hard to see things adding up fiscally.



JOYFUL LIVING, LLC
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The demand for quality healthcare is greater than ever before in our state, however the supply of quality physicians and healthcare providers continues to be severely limited, as the market simply does not value physicians, and other healthcare providers. This is clearly demonstrated in the unusual taxation of healthcare services, and the extremely low reimbursements. The Hawaii state Medicaid program doesn't even reimburse at the already low Medicare rates for most services. Hawaii Medicare reimbursements are unfairly set to be amongst the lowest in the country, despite having amongst the highest cost of living and operations. In addition to low reimbursements, currently physicians must pay the GET on the services they provide for Medicare and Tricare patients, as we cannot pass that along to patients to pay, as federal law prohibits this. Additionally, we are absorbing the tax for most Medicaid patients. Depending on the interpretation of the law, perhaps we could pass the tax along to our Medicaid patients, but most physicians I know do not do this, as these are already the patients who are most financially vulnerable, and doing so may very well create yet another barrier to them receiving needed care.

It is with these things in mind that I would ask you to support and pass SB1035 to help provide some fiscal relief for small medical practices; large hospital-based practices are already exempt. While SB1035 does not fully fix our broken healthcare system it is a step in the right direction to line up with the other 49 states in our union and offer some hope to those of us who feel called to provide care to the people of Hawaii. As physicians, we want to be here, we want to care for the underserved. We want to care for you, your parents, your grandparents, and your children. However, if things do not change, it will likely become financially impossible for many small medical practices and physicians to remain open to care for those who need it most.

Thank you for your consideration in these matters and for your service to our community.

Sincerely,

Dr. Matthew Dykema, D.O. (Doctor of Osteopathy)

Joyful Living LLC, Owner, CEO



February 27, 2023

To: THE SENATE - KA 'AHA KENEKOA
THE THIRTY-SECOND LEGISLATURE - REGULAR SESSION OF 2023

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

From: East Hawaii Independent Physicians Association (dba Big Island Docs)

Subject: Support for SB1035

Dear Senators,

We represent over 50 independent private practice providers on Hawai'i Island delivering care to over 50,000 patients. We urge the legislature to exempt Medicaid, Medicare and TriCare health plan payments from the State of Hawai'i's General Excise Tax for services we provide. This tax has made it difficult for us to stay in business and continue to serve our community. It has contributed to our severe doctor shortage. Hawai'i has the largest percentage of physicians in private practice in the nation, and it is important that the private practice of medicine remain sustainable for the health and well-being of our community. Our community risks losing even more physicians as their operations become financially unsustainable.

On behalf of our membership, we urge you to pass SB1035 into law.

Mahalo,

A handwritten signature in black ink, appearing to read "Lynda Dolan".

Lynda Dolan, MD
President

A handwritten signature in black ink, appearing to read "Brenda Camacho".

Brenda Camacho, MD
Secretary & Treasurer

A handwritten signature in black ink, appearing to read "Craig Shikuma".

Craig Shikuma, MD
Medical Director, BIHC

www.bigislanddocs.com

SB-1035-SD-1

Submitted on: 2/27/2023 10:06:20 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Colleen Inouye	Testifying for HI Independent Physicians Assoc	Support	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, and Senator Fukunaga, Vice Chair, and the members of the Committee on Commerce and Consumer Protection, and Senator Dela Cruz, Chair, and Senator Keith-Agaran, Vice Chair, and members of the Committee on Ways and Means,

I am asking for your support of SB 1035 SDI, relating to the General Excise Tax (GET) exemptions. Our providers realize that medical services that are billed to Medicaid, Medicare, and/or Tricare will be reimbursed at a lower rate than commercial insurance. However, to absorb the GET for these services translates to receiving even a lower reimbursement rate from these payers. It is difficult to support an independent practice, its employees/staff, and medical supplies that are needed to care for patients and absorb this extra burden.

Graduating physicians from the UH Residency programs now realize that Hawaii, besides New Mexico, are the only states that ask independent practicing physicians to shoulder this burden. This decreases the amount of physicians desiring to practice in Hawaii, decreasing patient access to care.

Thank you for your kind attention to support SB 1035 SDI.

Colleen F Inouye MD MMM MS-PopH FACHE FAAPL FACOG

Interim Executive Director of the Hawaii Independent Physicians Association, a 700+ provider organization that spans across the state of HI

February 27, 2023

Aloha,

We are writing in support of SB1035 that will exempt medical service providers who receive medicare, Medicaid, and TRICARE payments from the general excise tax.

Presently private practice physicians and clinics are fully taxable while non-profit or government operations are exempt. Our private practice providers are already struggling to sustain their practices and having to absorb this tax (which presently they are not able to pass on) has added to the reason why so many doctors are not willing to stay in business or even start a practice.

Having this exemption from the GET will allow private practice physicians to afford more staff, more support, and ultimately stay in business. In addition, this will also help in the recruitment of new private practice physicians.

Mahalo,



Randy Kurohara



Testimony in Support of SB1035 SD1, Relating to General Excise Tax

February 27, 2023

Senate Committee on Commerce and Consumer Protection
Senate Committee on Ways and Means

March 1, 2023

9:30 am

Conference Room 211 and Videoconference

Aloha Chair Keohokalole, Vice Chair Fukunaga, Chair Dela Cruz, Vice Chair Keith-Agaran, and Committee Members:

Hawaii Dental Service (HDS) strongly supports SB1035 SD1 to level the playing for all healthcare providers, including dentists to improve access to oral healthcare for the most vulnerable. As a state, we have made significant progress to restore comprehensive Medicaid dental benefits for adult Medicaid beneficiaries. SB1035 SD1 continues this positive momentum and helps with implementing a more equitable oral health system for all Hawaii residents, regardless of their socioeconomic status.

Currently, only about 25% of Hawaii dentists treat Medicaid patients. The relatively small number of dentists who accept Medicaid can be attributed to lower payments from this government program. Hawaii dentists cannot or are unwilling to serve Medicaid beneficiaries because the reimbursements do not adequately cover the costs of procedures and dental operations. The general excise tax exemption for dentists will provide an incentive for dentists to accept Medicaid to help offset the low payments. As more dentists accept Medicaid, oral healthcare will become more accessible for more patients in communities across our islands.

By expanding bill to include dentists, SB1035 SD1 will improve the dentist-to-Medicaid beneficiary ratio in Hawaii. We recommend the following amendment to mirror the language in the House companion bill, HB662 SD1:

(12) Amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or a medical **or dental practitioner** for health care related goods or services purchased under the medicare, medicaid, or TRICARE programs. For the purposes of this paragraph, the health care related services need not be performed by a medical **or dental** practitioner but may be performed by a physician's assistant, nurse, or other employee under the medical **or dental** practitioner's direction."

"Medical **or dental** practitioner" means a physician or osteopathic physician licensed pursuant to chapter 453; a **dentist licensed under chapter 448**; an advanced practice registered nurse licensed pursuant to chapter 457; or a pharmacist licensed pursuant to chapter 461;

 DELTA DENTAL

HDS
Hawaii Dental Service

We urge you to vote in favor of passing this bill to help address the health disparities in our Aloha State.

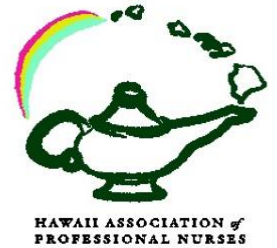
Mahalo for your support and for prioritizing the needs of Hawaii's underserved communities.

Sincerely,



Dr. Diane Paloma
President and CEO

Hawai'i Association of Professional Nurses (HAPN)



To: The Honorable Senator Donovan Dela Cruz, Chair of the Senate Committee on Ways and Means; The Honorable Senator Jarrett Keohokalole, Chair of the Senate Committee on Commerce and Consumer Protection

From: Hawaii Association of Professional Nurses (HAPN)

Subject: SB1035 SD1 – Relating to the General Excise Tax, in Support

Hearing: March 1, 2023, 9:30a.m.

Aloha Senator Dela Cruz, Chair; Senator Keith-Agaran, Vice Chair; Senator Keohokalole, Chair; Senator Fukunaga, Vice Chair, and Committee Members,

Thank you for the opportunity to submit testimony regarding SB1035 SD1. HAPN stands with countless community organizations, private practices throughout the state, and all residents of Hawaii who receive healthcare. HAPN believes that healthcare access in Hawaii is at a point where provider supply is not in line with healthcare demand. As such, HAPN is in **Support** of removing the General Excise Tax (GET) on **all services** that are provided by **Advanced Practice Registered Nurses, Physician Assistants (Physician Associates), and Physicians**. **This GET exemption must include care provided by primary care providers and specialists.**

Our organization has always supported patient access to care in our communities and we are seeing a fast erosion of care due to clinic closures or providers no longer practicing. This is happening for many reasons to include providers moving out of state for more favorable business environments; provider retirement or death; poor reimbursement from all insurance plans to include private, state, and federal sinking clinics trying to provide care; and insurance reimbursement received not in line with the cost of doing business and the cost of living. In the Access to Care statewide survey by the Hawai'i Rural Health Association and Community First, nearly half of healthcare providers were considering leaving medicine, retiring, cutting hours or leaving the state. Hawaii is the only American state which taxes medical care. Healthcare providers have to absorb this tax, which federal Medicare and TriCare policies forbid passing to patients. The GET taxes gross revenues, even when practices lose money providing care, which makes many practices non-profitable.

HAPN's mission, to be the voice of APRNs in Hawaii, has been the guiding force that propelled us to spearhead the advancement of patients access to healthcare as well as supporting the recognition of the scope of practice for APRNs in Hawaii which led us to full practice authority. We have worked to improve the physical and mental health of our communities. As our ability to provide close care with our patients progressed, we also opened up our own clinics to provide the care our patients deserve. APRNs have played an important role in the healthcare of our communities and we will continue to be by our patients' side.

HAPN respectfully asks your Committee to pass this bill. Thank you for the opportunity to share the perspective of HAPN with your committee. Thank you for your enduring support of the nursing profession in the Aloha State.

Respectfully,

Hawai'i Association of Professional Nurses (HAPN)

Dr. Jeremy Creekmore, APRN
HAPN President

Dr. Bradley Kuo, APRN
HAPN Legislative Committee, Chair
HAPN Past President





Hawaii Medical Association

1360 South Beretania Street, Suite 200 • Honolulu, Hawaii 96814
Phone: 808.536.7702 • Fax: 808.528.2376 • hawaiimedicalassociation.org

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

Date: March 1, 2023

From: Hawaii Medical Association

Beth England MD, Co-Chair, HMA Public Policy Committee

Re: SB 1035 SD1 Relating to the General Excise Tax

Position: Support

The purpose of this measure is to exempt medical service providers who receive Medicare, Medicaid, and TRICARE payments from the general excise tax.

The worsening healthcare crisis in Hawaii is a tremendous hardship for our citizens. Enrollment in Hawaii MedQUEST (Medicaid program) has jumped 40% since the start of the COVID-19 pandemic. The 2022 Access to Care CDC funded comprehensive statewide survey of patients and providers found that low-income individuals experience incredible delays and barriers to healthcare services. Native Hawaiians and Pacific Islanders are particularly affected.

Causes for healthcare disparities are multifactorial, but are unquestionably linked to the unremitting decline in our Hawaii physician workforce. The estimated unmet need for physicians is approximately 776 full-time equivalents (FTE) with percentage shortages most profound on the Big Island.

	Hawai'i County	Honolulu County	Kaua'i County	Maui County	Statewide
Shortage	183 (187)	382 (344)	45 (43)	167 (158)	776 (732)
Percent	37% (40%)	15% (15%)	26% (26%)	40% (40%)	22% (22%)

2023 Hawaii Medical Association Officers

Angela M. Pratt, MD, President • Elizabeth Ann Ignacio, MD, President Elect • Michael Champion, MD, Immediate Past President
Nadine Tenn-Salle, MD, Treasurer • Thomas Kosasa, MD, Secretary • Marc Alexander, Executive Director

2023 Hawaii Medical Association Public Policy Coordination Team

Elizabeth Ann Ignacio, MD, Chair • Beth England, MD, Co-Chair
Linda Rosehill, JD, Government Relations • Marc Alexander, Executive Director

While efforts toward expansion of healthcare training programs and loan repayment play a vital role in physician recruitment and retention, they do not address the challenge facing many physicians currently practicing in Hawaii. A large number of the physician practices do not have the financial capacity to continue providing quality care in the face of ever-decreasing Medicare/ Medicaid reimbursements coupled with the General Excise Tax (GET). Healthcare providers must absorb this tax, which federal law forbids passing to patients.

As more physician practices are crushed under the heavy weight of practice expenses, our most vulnerable patients, particularly those in rural and underserved communities, cannot access local providers in a timely fashion to receive the diagnosis and treatment they desperately need. HMA urges legislators to support a GET exemption for medical services of Medicare, Medicaid and TRICARE providers, as a reasonable and essential step in the future survival and sustainability of our Hawaii healthcare.

Thank you for allowing the Hawaii Medical Association to testify in support of this measure.

References and Quick Links:

Cocke S. Hawaii Medicaid enrollment up 40% since start of pandemic. Honolulu Star Advertiser Dec 19 2022.

University of Hawaii System Annual Report. Report to the 2023 Legislature. Annual Report on findings from the Hawaii Physician Workforce Assessment Project. Dec 2022.

Access to Care. Health for our communities. Community First Hawaii. July 2022 Report.

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Linda Rosehill, JD, Government Relations • Marc Alexander, Executive Director



March 1, 2023

9:30 a.m.

VIA VIDEOCONFERENCE

Conference Room 211

To: Senate Committee on Commerce and Consumer Protection

Sen. Jarrett Keohokalole, Chair

Sen. Carol Fukunaga, Vice Chair

Senate Committee on Ways and Means

Sen. Donovan M. Dela Cruz, Chair

Sen. Gilbert S.C. Keith-Agaran, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: SB1035 SD1 — RELATING TO THE GENERAL EXCISE TAX

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [SB1035 SD1](#), which would provide a general excise tax exemption for medical services provided by healthcare providers to patients who receive Medicare, Medicaid or TRICARE.

With this bill, the Legislature would bring Hawaii into the mainstream of states that do not tax medical services on Medicare, Medicaid or TRICARE. At present, Hawaii is one of only two states that levies a tax on medical services and the only state to tax Medicare and TRICARE.

Though nonprofit facilities are currently exempt from the GET, private practice physicians are not. Thus, private practice doctors and clinics must pay the 4% GET plus any county surcharge. As the Grassroot Institute explains in its new report, "[The case for exempting medical services from](#)

[Hawaii's general excise tax](#)," the GET becomes a significant expense for doctor offices, making it difficult for such practices to thrive in our state.¹

A further problem comes with the application of the GET to TRICARE, Medicare, and Medicaid beneficiaries. As explained in the Grassroot Institute report, the GET cannot legally be passed on to TRICARE or Medicare patients, forcing doctors to absorb those costs entirely.

Similarly, in the case of Medicaid, doctors are forced to either pursue an indigent patient for their share of the GET, which may result in higher administrative costs than can be recouped, or deny service based on the patient's inability to pay the tax.

Under the circumstances, many private practice doctors consider it impossible to pass the tax on to Medicaid patients as well.

The result is that physicians are either disincentivized from treating Medicare, Medicaid and TRICARE patients or forced to absorb the GET for those patients.

Fortunately, there is a simple and effective solution, as described in this bill: Create a GET exemption for medical services provided to Medicare, Medicaid, and TRICARE patients.

According to research from the Grassroot Institute of Hawaii, exempting all medical services from the excise tax would help make healthcare more affordable in the state for both doctors and residents.²

Healthcare spending for medical services in Hawaii totals about \$9 billion a year, of which the for-profit private sector accounts for \$5 billion. An exemption from the state's 4% GET would save private, for-profit medical providers approximately \$200 million. Waiving the GET surcharges imposed by the counties would save an additional \$22 million more.

This would result in substantial savings for individual practices. According to the Grassroot Institute study, the savings from that base 4% GET exemption would be about \$5,275 each for the approximately 38,000 full-time workers in the medical industry. That's the equivalent to 6.7% of the average medical service worker's wage and 5.8% of current GET collections.

Of course, those figures are for all medical services, not solely those services provided to Medicare, Medicaid and TRICARE patients. Thus, the loss of revenue from this exemption would be less, as would the savings to doctor offices and clinics.

In any case, given that the state is projecting a surplus of more than \$10 billion over the next four years, the budget could easily absorb the expense of this exemption.

¹ Malia Hill, "[The case for exempting medical services from Hawaii's general excise tax.](#)" Grassroot Institute of Hawaii, February 2023.

² "[How the state GET affects healthcare costs in Hawaii.](#)" Grassroot Institute of Hawaii, January 2020.

There are other possible benefits to this exemption. Not only would it help reduce the cost of medical care for Hawaii residents, it likely would help alleviate the state's doctor shortage.

The most recent report from the Hawaii Physician Workforce Assessment Project estimates that the state has an unmet need for 776 full-time-equivalent physicians. The largest area of need is in primary care, but there are significant shortages across multiple specialties.

The COVID-19 crisis helped emphasize the importance of improving healthcare access in Hawaii. It also demonstrated that we must pursue multiple strategies to address the shortage of healthcare professionals in the state.

Luring new doctors to Hawaii — and keeping those who are already here — is a complicated proposition. Many proposals would take years to demonstrate success in addressing the issue.

In the meantime, Hawaii residents will continue to suffer from the shortage of available medical professionals and the high cost of healthcare in our state.

It is hard to know exactly how beneficial this GET exemption for medical services would be, but it would at least remove a major burden for existing local practices. If this bill prevents more doctors and clinics from leaving the state or closing, it will have accomplished its goal.

At minimum, this bill might help address the disincentive that currently exists for private practice physicians to treat Medicare, Medicaid and TRICARE patients, as they will no longer be forced to absorb the cost of the GET in those cases.

It is common practice for the state to use GET exemptions to encourage or aid certain industries. Already, Hawaii exempts petroleum refining, orchards, and aircraft maintenance and leasing from the GET. We think healthcare is at least as important as any of those activities, if not more so, and I would hope that the members of this committee think so too.

State policymakers are rightly concerned with making healthcare more affordable and addressing the shortage of medical professionals in Hawaii. By creating a general excise tax exemption for medical services provided under TRICARE, Medicare and Medicaid, there is an opportunity to make Hawaii a more attractive — and less expensive — place to practice medicine.

Thank you for the opportunity to submit our comments.

Sincerely,
Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii



Date: February 28, 2023

To: Chairs, Senators Jarrett Keohokalole and Donovan M. Dela Cruz
Vice Chairs, Senators Carol Fukunaga and Gilbert S.C. Keith-Agaran
Members of the Committee on Commerce and Consumer Protection and the Committee
on Ways and Means

From: Hawai'i Society of Naturopathic Physicians

Re: SB1035 SD1, Relating to The General Excise Tax
March 1, 2023, at 9:30am

Position: **COMMENTS**

The Hawai'i Society of Naturopathic Physicians supports the intent of this bill and respectfully requests the amendments below. We recognize that reducing the tax burden for healthcare services would increase availability and access to healthcare.

Naturopathic Physicians function as primary care physicians in the state and should be included in this measure. We aid in relieving the ongoing health care provider shortage and, like the other professions noted in the bill, the medical services we provide should not be taxed. In addition to the included provider types, Naturopathic Physicians should be added to this measure.

Offered amendments:

To clarify that naturopathic may provide medical services included under this tax exemption, please change page 9, lines 4 through 8 to read:

“Medical practitioner” means a physician or osteopathic physician, licensed pursuant to chapter 453; a naturopathic physician licensed pursuant to chapter 455; an advanced practice registered nurse licensed pursuant to chapter 457; or a pharmacist licensed pursuant to chapter 461;”

Thank you for your time and attention to this matter,

Baron Glassgow
Executive Director
Hawai'i Society of Naturopathic Physicians



'Ahahui o nā Kauka

677 Ala Moana Blvd., Suite 1015

Honolulu HI 96813

Phone 808.548.0270

E-mail huikauka@gmail.com

2022-2023 Advocacy Committee

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Kapono Chong-Hanssen, MD
Advocacy Chair

H. Nalani Blaisdell-Brennan, MD

S. Ku'ulei Christensen, MD

February 26, 2023

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

Group Testimony in Support of SB 1035 SD1
RELATING TO THE GENERAL EXCISE TAX.

'Ahahui o nā Kauka is an organization of Native Hawaiian physicians dedicated the health of the people of Hawai'i and Native Hawaiians in particular. We support SB 1035 SD1 as it is anticipated to increase access to quality health care for all Medicaid, Medicare, and Tricare recipients including many Native Hawaiians by allowing more physicians and other healthcare professionals to accept patients covered by these types of insurance.



LATE

Daniel Ross, RN
President

Gary Nuber
Director of Field Services

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The Thirty-Second Legislature, State of Hawai'i
Hawai'i State Senate
Committee Consumer Protection & Commerce

Testimony by
Hawaii Nurses Association
March 1, 2023

SB 1035, SD1 – RELATING TO THE GENERAL EXCISE TAX

The Hawaii Nurses Association -OPEIU Local 50 is affiliated with the AFL-CIO and was founded in 1917 and represents 4,000 nurses in the State of Hawaii. We are grateful to testify in **STRONG SUPPORT** of SB 1035, SD1.

With the growing shortage and over working of Hawaii's health care workers this general excise tax exemption will allow for more money to go to hiring more health care workers.

Thank you for your consideration and we urge you to vote in **support** of SB 1035, SD1.

Respectfully,

Daniel Ross
President



Philippine Medical Association of Hawai'i

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Date February 28, 2023

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Hazel Abinsay, MD
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Ian Guerrero, MD
Ohana Medical Missions

TO: THE SENATE COMMITTEE ON HEALTH & HUMAN SERVICES

Senator Joy A San Buenaventura, Chair

Senator Henry JC Aquino, Vice Chair

From: THE PHILIPPINE MEDICAL ASSOCIATION OF HAWAII

Lyla Cachola Prather, MD – President

Jerald M. Garcia, MD – Legislative Committee Chair

and members of the Board of Governors

RE: SB 1035 D1 – RELATING TO THE GENERAL EXICE TAX and companion bill HB662 HD1
POSITION: SUPPORT

On behalf of the members of the Board of Governors, and our membership of approximately 150 Hawaii Physicians, we are writing in strong support of SB 1035 and HB 662. We firmly believe this is a step in the right direction in helping our community clinics survive within the difficult economic environment we are faced with currently.

Per HB662, "Hawaii is the only state in the union, that taxes medical services in this way. Hawaii hospitals and their employed physicians are exempt from the GET tax", but for community-based primary care and specialty private practices, the same does not hold true. These practices are still subject to GET tax payments, although their payor/patient base is the same as hospital-based clinics.

We all know that Hawaii is experiencing a significant shortage of physicians. The answer to this is not a stopgap of less expensive, less experienced providers, it is to be able as a state to retain and recruit more trained and experienced physicians to serve our communities. In addition to other measures like loan forgiveness and expansion of health care training programs in Hawaii, exempting community practices from the GET tax is one very important piece needed to encourage physician retention and recruitment so that community physicians can afford to stay in practice, and offer opportunities for other physicians to join us in serving our communities.

Of the ~10,000 licensed physicians in Hawaii, approximately 4000 are community-based physicians, seeing on average about 22 patients a day. That equates to ~88,000 patients a day, and ~1,760,000 patients a month seen in private practice clinics. These doctors make up the primary healthcare resources serving patients in the suburban & rural communities of Hawaii, including underserved areas on Oahu like the north shore (Wahiawa to Waimanalo) central (Mililani/Waipio/Wahiawa) and west side (Waipahu, Ewa Beach, Kapolei, Nanakuli-Waianae-Maile-Makaha), as well as on our outer islands, where community clinics are often the only option for healthcare. The loss of just 10 community doctors means the delay in care, diagnosis, and treatment for nearly 4500 patients each month.

What does exempting these private practices from the GET tax mean, tangibly? It means that as community physicians, we can afford to hire 2 to 3 new support staff or add other medical providers to our clinics to increase access to care for our patients. For some, especially smaller practices both on Oahu and the neighbor islands, it could mean the difference between keeping our doors open or shutting down for good.

What does this mean for job impact in Hawaii if we continue to lose community physicians? Of the ~4000 private practitioners in Hawaii, each employs an average of 3.5 clinic staff. This means that this sector provides jobs to support 18000+ households in Hawaii. These practices are small businesses, running on tight margins, and dealing with ever-decreasing insurance reimbursements. Not only would passing these measures mean keeping the clinic in the community, the difference made by eliminating the GET tax from this sector can mean the difference between keeping 18000+ workers employed vs further increasing the unemployment rate in Hawaii if these clinics close.

The Philippine Medical Association of Hawaii urges legislators to support a GET exemption for medical services of Medicare, Medicaid and TRICARE providers, as a reasonable and essential step in the future survival and sustainability of our Hawaii healthcare.

Thank you for allowing PMAH to testify in support of this measure.

Sources:

https://www.hawaii.edu/govrel/docs/reports/2021/act18-sslh2009_2021_physician-workforce_annual-report_508.pdf

<https://stateofreform.com/news/hawaii/2020/02/bill-to-exempt-primary-care-providers-from-general-excise-tax-moves-forward/#:~:text=According%20to%20the%20bill%E2%80%99s%20text%2C%20Hawaii%20is%20the,of%20the%20tax%20can%20be%20difficult%20to%20overcome.>



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEES ON
COMMERCE AND CONSUMER PROTECTION and WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
WEDNESDAY, MARCH 1, 2023 AT 9:30 A.M.**

To The Honorable Senator Jarrett Keohokalole, Chair
The Honorable Senator Carol Fukunaga, Vice Chair
Members of the committee on Commerce and Consumer Protection
To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the committee on Ways and Means

SUPPORT FOR SB1035 SD1 RELATING TO THE GENERAL EXCISE TAX.

The Maui Chamber of Commerce **supports SB1035 SD1** which exempts from the general excise tax amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or a medical practitioner for health care related goods and services purchased under Medicaid, Medicare, or TRICARE.

The Chamber can agree with this proposal provided SB1134 or SB761 fails to pass this committee. Our preference is that the committee pass SB1134 or SB761 which would include the providers listed in this bill.

This bill would help lower the cost for medical services for some of the state's citizens.

For these reasons, we **support SB1035 SD1**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

LATE

HI PAIN

HAWAII INSTITUTE FOR PAIN

SENATE COMMITTEE ON HEALTH & HUMAN SERVICES
Senator Joy A San Buenaventura, Chair
Senator Henry JC Aquino, Vice Chair

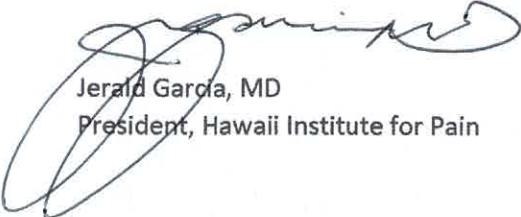
Date: February 28, 2023
From: Hawaii Institute for Pain
Jerald Garcia MD, President

Re: SB 1035 D1 – RELATING TO THE GENERAL EXCISE TAX and companion bill HB662 HD1
Position: Support

Dear Legislators:

On behalf of the physicians and medical providers of the Hawaii Institute for Pain, I am writing in strong support of SB 1035/HB662 HD1. It is an established fact that the State of Hawaii faces a drastic physician shortage problem. As a consequence, the people of Hawaii are burdened with limited access to quality health care, often finding themselves having to compromise or delay their medical care. The lucky few are able to fly to the varying institutions and specialists in different states across the mainland, if only to receive the quality expertise and care that every single patient in Hawaii deserves and should also have access to. We believe that SB 1035/HB662 HD1 is a step in the right direction in solving this problem. This bill will encourage physician retention and recruitment so that our kupuna and fellow Hawaiians will one day see communities teeming with physicians serving their every health care need; So that access to high quality medical care will no longer be a long flight away but a simple drive or bus ride away. Our group therefore joins the Hawaii Medical Association and the Philippine Medical Association of Hawaii in support of SB 1035/HB662 HD1 and we urge your good offices to do the same. Thank you for allowing the Hawaii Institute for Pain to testify in support of this measure.

Sincerely,



Jerald Garcia, MD
President, Hawaii Institute for Pain

HI Pain East Oahu: 1401 South Beretania St. #400 Honolulu, HI 96814
HI Pain West Oahu: 94-216 Farrington Hwy. #A102 Waipahu, HI 96797
HI Pain Maui: 39 West Kamehameha Ave Kahului, HI 96732



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COMMITTEE ON COMMERCE & CONSUMER PROTECTION

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THE SENATE COMMITTEE ON WAYS & MEANS

Senator Donovan Dela Cruz, Chair
 Senator Gilbert S.C. Keith-Agaran, Vice Chair

From: THE PHILIPPINE MEDICAL ASSOCIATION OF HAWAII

Lyla Cachola Prather, MD – President
 Jerald M. Garcia, MD – Legislative Committee Chair

Hearing date – March 1, 2023, conference room 211

RE: SB 1035 D1 – RELATING TO THE GENERAL EXCISE TAX and companion bill HB662 HD1
POSITION: STRONG SUPPORT

On behalf of the members of the Board of Governors, and our membership of approximately 150 Hawaii Physicians, we are writing in strong support of SB 1035 and HB 662. We firmly believe this is a step in the right direction in helping our community clinics survive within the difficult economic environment we are faced with currently.

Per HB662, "Hawaii is the only state in the union, that taxes medical services in this way. Hawaii hospitals and their employed physicians are exempt from the GET tax", but for community-based primary care and specialty private practices, the same does not hold true. These practices are still subject to GET tax payments, although their payor/patient base is the same as hospital-based clinics.

We all know that Hawaii is experiencing a significant shortage of physicians. The answer to this is not a stopgap of less expensive, less experienced providers, it is to be able as a state to retain and recruit more trained and experienced physicians to serve our communities. In addition to other measures like loan forgiveness and expansion of health care training programs in Hawaii, exempting community practices from the GET tax is one very important piece needed to encourage physician retention and recruitment so that community physicians can afford to stay in practice, and offer opportunities for other physicians to join us in serving our communities.

Of the ~10,000 licensed physicians in Hawaii, approximately 4000 are community-based physicians, seeing on average about 22 patients a day. That equates to ~88,000 patients a day, and ~1,760,000 patients a month seen in private practice clinics. These doctors make up the primary healthcare resources serving patients in the suburban & rural communities of Hawaii, including underserved areas on Oahu like the north shore (Wahiawa to Waimanalo) central (Mililani/Waipio/Wahiawa) and west side (Waipahu, Ewa Beach, Kapolei, Nanakuli-Waianae-Maile-Makaha), as well as on our outer islands, where community clinics are often the only option for healthcare. The loss of just 10 community doctors means the delay in care, diagnosis, and treatment for nearly 4500 patients each month.

What does exempting these private practices from the GET tax mean, tangibly? It means that as community physicians, we can afford to hire 2 to 3 new support staff or add other medical providers to our clinics to increase access to care for our patients. For some, especially smaller practices both on Oahu and the neighbor islands, it could mean the difference between keeping our doors open or shutting down for good.

What does this mean for job impact in Hawaii if we continue to lose community physicians? Of the ~4000 private practitioners in Hawaii, each employs an average of 3.5 clinic staff. This means that this sector provides jobs to support 18000+ households in Hawaii. These practices are small businesses, running on tight margins, and dealing with ever-decreasing insurance reimbursements. Not only would passing these measures mean keeping the clinic in the community, the difference made by eliminating the GET tax from this sector can mean the difference between keeping 18000+ workers employed vs further increasing the unemployment rate in Hawaii if these clinics close.

The Philippine Medical Association of Hawaii urges legislators to support a GET exemption for medical services of Medicare, Medicaid and TRICARE providers, as a reasonable and essential step in the future survival and sustainability of our Hawaii healthcare.

Thank you for allowing PMAH to testify in support of this measure and for your kind consideration.

Respectfully yours,

Lyla Cachola Prather, MD
Cachola Medical Clinic, LLC
President & Continuing Medical Education Event Chair
Philippine Medical Association of Hawaii

Jerald M. Garcia, MD
HiPain - Hawaii Institute for Pain
Legislative Committee Chair, Board of Governors
Philippine Medical Association of Hawaii

Sources:

https://www.hawaii.edu/govrel/docs/reports/2021/act18-sslh2009_2021_physician-workforce_annual-report_508.pdf

<https://stateofreform.com/news/hawaii/2020/02/bill-to-exempt-primary-care-providers-from-general-excise-tax-moves-forward/#:~:text=According%20to%20the%20bill%E2%80%99s%20text%2C%20Hawaii%20is%20the,of%20the%20tax%20can%20be%20difficult%20to%20overcome.>

SB-1035-SD-1

Submitted on: 2/24/2023 5:33:13 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
B.A. McClintock	Individual	Support	Written Testimony Only

Comments:

Please support this bill. Mahalo.

SB-1035-SD-1

Submitted on: 2/24/2023 5:33:32 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Douglas Perrine	Individual	Support	Written Testimony Only

Comments:

Each year that I have lived in Hawaii County, the availability of doctors, especially specialists, has decreased. Now we are at a crisis level, where it is difficult to obtain any specialty medical care on-island and even becoming difficult to find some kinds of doctors in-state. Medical personnel almost unanimously blame this on low reimbursement rates, especially under Medicare & Medicaid, and the high cost of doing business in Hawaii, and especially on the neighbor islands. Doctors simply cannot afford to maintain a practice here. SB1035 will not solve this problem, but it will alleviate it. Please pass SB1035 to provide a small measure of relief to medical practitioners, and for those of us entering our "golden years" who would like to spend them in our island homes, and not be forced to move to the mainland for medical care as "medical refugees."

SB-1035-SD-1

Submitted on: 2/24/2023 7:11:26 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Lynn Murakami Akatsuka	Individual	Support	Written Testimony Only

Comments:

I strongly support the passage of SB 1035, SD 1 this legislative session. It is imperative for our communities statewide to retain our current private practice physicians and other medical professionals noted in the bill from closing their practices and leaving Hawaii permanently.

The data shows the urgency of the passage of this bill. Thank you for the opportunity to testify in strong support of SB 1035, SD 1.

SB-1035-SD-1

Submitted on: 2/25/2023 4:24:17 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support SB1035 SD1.

SB-1035-SD-1

Submitted on: 2/25/2023 5:10:20 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Edward Gutteling, M.D.	Individual	Support	Written Testimony Only

Comments:

Dear Senators:

I write in urging you to approve this bill SB1035 to exempt medical services from paying GET on receipts from Medicare, Medicaid and TriCare (the Federal insurance programs).

I have been the official team orthopedic surgeon for the University of Hawai'i - Hilo Vulcan athletics since 1992, a period during which I have brought to the Big Island and tried and failed to recruit 3 spine surgeons and about 7 other orthopedic surgeons to remain in practice in Hilo.

After an initial period, all of them left.

All.

As you should know, we have an alarming lack of physicians in Hawai'i, at a rate that is accelerating.

Why is that?

Because docs work too hard, and get paid too little.

There are greener pastures where ALL can (and DO !) go to.

In addition to the "paid too little" (*with near lowest insurance reimbursements in the nation*, and *highest by far (!) cost of living*), then the docs suffer the insult of being in the ONLY state in the union that taxes them on the gross receipts from these Federal insurance programs, which by Federal law they are forbidden under penalty of Federal sanction and loss of practice to pass on to patients.

This is in direct contrast to those docs employed by Federally subsidized (!) hospitals and not-for-profit clinics, who are already exempt, and is an additional insult.

It's not a good look for the "Aloha State", to reward them like that for taking on the lowest-paying insurances for caring for the poorest of our community.

It's 4.7% of their gross, off the top, and translates into 11-25% of their net (depending on practice overhead, etc)

It's a big hit to them all.

And it's not even a rounding error on the state budget, currently running \$multi-Billion surpluses, for last few years.

As in all abusive relationships, eventually one leaves.

The docs are leaving.

Please help stop that, and end the unjust and harmful GET on medical services.

Warmest aloha

Edward Gutteling, MD, FAAOS

Team orthopedic surgeon, University of Hawai'i - Hilo Vulcan athletics

SB-1035-SD-1

Submitted on: 2/25/2023 5:44:24 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Martha Wiedman, M.D.	Testifying for Hawaii Radiological Society	Support	Written Testimony Only

Comments:

Dear Committee. Members:

I am writing as a radiologist living and practicing on the Big Island, in support of SB 1035 to exempt amounts received by healthcare providers for healthcare related goods and services provided to patients who received Medicaid, Medicare or TRICARE benefits.

Hawaii is the only one of the United States to tax healthcare services provided by group and private practice physicians for these patients, who are 50% of all patients in this state. Our private practices are crucially important to our rural and Neighbor Island communities. However, the GET places a burden on physicians in Hawaii, who receive lower rates of reimbursement from private insurance and Medicare compared to physicians in other areas of the U.S. with similar costs of living. The resulting income loss leads physicians to retire, move off island and reduce their office hours. This factor added to the existing physician shortage in Hawaii results in reduced access to patient care.

A GET exemption would incentivize physicians to stay in Hawaii and encourage much needed recruitment of health care providers to the state. Depending on the physician's overhead, a GET exemption bill that is passed could result in a revenue increase of 11-25%. This exemption would also create a level playing field with the rest of the U.S., improve patient care and help keep Hawaii medical practices open. I encourage you to pass this bill to support and increase vital medical care in Hawaii.

Respectfully,

Martha Wiedman, M.D.

Support for SB1035 SD1

I am a physician on the Big Island and the president of Hawaii Radiologic Associates, LLC. We provide radiology services for almost the entire island. We were once a group of 15 radiologists and now there are only 6 of us left which required us to join a mainland radiology group. We can no longer provide services without the support of a larger group and subsidize our work with areas on the mainland who have much better reimbursements. The 6 of us love this island and call Hawaii home but we cannot recruit any one to join us because of the poor pay and high expenses. My son, a recent graduate of John A Burns School of Medicine(JABSOM), will also be a radiologist and would like to return home but will not be able to unless the environment changes. He has student loans to pay off in addition to the high cost of food, medical care and housing in Hawaii should he choose to move home. My second son will soon finish at the JABSOM and he would also like to return home to Hilo and help his mom and her pediatric practice. It is time to do something significant for the private practitioners so everyone will receive adequate health care in Hawaii. We have a significant number of Medicaid, Medicare and Tricare patients throughout the island, especially in east Hawaii including Keaau, Puna and Pahoa areas who have a severe shortage of healthcare providers. Exempting the GE taxes on these patients will help in attracting more providers to this area to care for the people and keep those of us currently working hard to take care of these patients.

Thank you.

SB-1035-SD-1

Submitted on: 2/26/2023 10:53:45 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Stacy Ammerman	Testifying for Maui Lani Physicians and Surgeons	Support	Written Testimony Only

Comments:

This bill is very important and significant for all of Hawaii, not just the doctors and physicians offices that would benefit from it. Hawaii is currently one of the only states to allow broad taxation of medical services. Hospitals and non-profit organizations already are exempt from GET, therefore the burden is mostly on private practicing physicians in Hawaii. We are the medical group that struggle the most and are barely surviving as it is. I see more and more private practices closing or physicians leaving the state because they can't afford to keep practicing here. The idea of passing the taxation to the patients only works in theory. It's hard enough to get patients to pay their co-pay, much less a tax on their health services. This is such a small simple measure that could help keep physicians practicing here, not to mention lower healthcare costs for patients who live in one of the most expensive states in the nation.

SB-1035-SD-1

Submitted on: 2/26/2023 1:17:45 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Alvin Ikeda	Individual	Support	Written Testimony Only

Comments:

As more physician practices are crushed under the heavy weight of practice expenses, our most vulnerable patients, particularly those in rural and underserved communities, cannot access local providers in a timely fashion to receive the diagnosis and treatment they desperately need. I urge legislators to support a GET exemption for medical services of Medicare, Medicaid and TRICARE providers, as a reasonable and essential step in the future survival and sustainability of our Hawaii healthcare.

SB-1035-SD-1

Submitted on: 2/26/2023 1:32:36 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Dan Gardner	Individual	Support	Written Testimony Only

Comments:

Dear Ways and Means Committe Members,

I am asking that you please support SB1035 SD1. With a growing senior citizen population and a dimishing group of medical providers state-wide it is becoming more and more difficult for our Kupuna to access timely medical care. To ensure improved access for these seniors, it is imperative that this Bill be passed. We need to encourage doctors, most importantly those on the neighbor islands to stay and accept these patients - especilly those with Medicare, Medicaid and Tricare coverage. Thank you for taking positive action approving this critical legislation.

SB-1035-SD-1

Submitted on: 2/26/2023 1:51:48 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Carlton Yuen	Individual	Support	Written Testimony Only

Comments:

We need to improve access to care for those who need it most. SB 1035 will improve access to care for those with medicaid, medicare, and tricare. These people are on limited incomes and need this bill so they can remain healthy. Hawaii has a severe doctor shortage that is only getting worse. This bill is a step in the right direction to preserving access to care for the underserved community.

SB-1035-SD-1

Submitted on: 2/26/2023 3:44:21 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Hazel Abinsay	Testifying for Abinsay Pediatrics clinic	Support	Written Testimony Only

Comments:

Aloha esteemed colleagues,

My name is Hazel Abinsay, a practicing private practice pediatrician in Kalihi and Ewa Beach. I am in practice with my mom, Elizabeth Abinsay, who is also a pediatrician. She is an immigrant from northern Philippines that made her "American Dream" come true by immigrating and through hard work and sacrifice she has built a thriving practice that cares for more than 3,000 of Hawaii's children, majority of whom are Medicaid patients. She first immigrated to Kalihi. I was born and raised there as well. And we continue to care for the community there along with those on the west side.

With the rising costs of maintaining a practice in Hawaii, it has become harder for our clinic to care for our patients to the best of our ability. By removing the GET on our practice, this will allow us to 1) maintain our current employees by providing higher pay to compete with other non health care jobs, and 2) we can expand our staff with competitive pays so that we can accept more Medicaid patients into our practice. As an example, our office manager with two children who has been with us for almost 20 years has recently had to take on a second job to cover her family's everyday expenses. How we wish we could just increase her salary so that she could spend more time with her children instead.

It's unfortunate that Hawaii's children have to suffer due to clinics having to "pick and choose" their patients based on insurance reimbursements just to stay afloat. Our clinic is committed to continuing to care for Hawaii's Medicaid children because our family shares a similar story as them. However, with the rising costs of overhead without improvement in Medicaid reimbursements, we can only continue to do so for so long. Please help us continue to serve and care for Hawaii's most vulnerable children.

Mahalo for your time.

Hazel Abinsay, MD

SB-1035-SD-1

Submitted on: 2/26/2023 3:46:25 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Michael Krishna Rao	Individual	Support	Written Testimony Only

Comments:

Hello,

I am 1 of 4 physicians in my specialty serving the general (non Military/Kaiser) population of Hawaii. My specialty is colorectal surgery which deals with cancers of the colon, rectum, and anus as well as benign anal diseases like hemorrhoids and fissures. Within my specialty only 2 of us see medicaid patients. This is because the unacceptably low rates that are reimbursed are a barrier to getting more physician's to see these patients. On top of this the general excise Tax is an additional burden on seeing these patients as not only do I have to accept the low rates provided by Medicaid but also additionally have to pay GET taxes on this.

A recent AHEC report suggested we would need 7 colorectal surgeons on Oahu alone. 2 of the 4 here are older than age 60 and nearing retirement age. I am the only colorectal surgeon that goes to every health system providing equitable access to care. I am only able to do this because I am not employed by one of the large health systems. If Hawaii does not make a change the poor access to care will turn to no access to care except for those with very good insurance (i.e. the rich). Most doctors I know want to be able to take care of all patients however the financial reality of living in Hawaii prevents many from being able to do this. Now with the national Medicare cuts in physician reimbursement rates this is even more difficult. If something is not done I foresee that myself as well as many other physicians will plan to leave the state. In fact I am currently in the position of looking at options on the mainland to better my future though I do not want to leave as Hawaii has become my home.

Lifting the general excise tax would provide a meaningful step in addressing the burden that seeing Medicare and Medicaid patient's places on the physician. If this burden is improved there is no reason we cannot attract the best and the brightest physicians to care for the people of Hawaii. There will always be challenges in making things work here, However I believe that this bill is a meaningful first step in restoring some sanity to the reimbursement within the state.

In case some of you believe the physicians are extremely wealthy and do not need the extra income I would encourage you to look at our payment here versus in other states. Additionally keep in mind that in order to run a practice in Hawaii we pay steep overhead and create good jobs through our staff. In order to pay my employees a fair living wage including accounting for inflation I have to pay myself significantly less than what is appropriate for a number of years of training, the complexity of what I do, and the debt I incurred to get to this point. Physicians are

the only group that has had a progressive pay decrease in recent years rather than an increase to adjust for cost of living, cost of staff, and in general inflation.

I am humbly ask that you consider lifting the general excise tax off of medical services. Thank you for your time and consideration.

Dr Michael Krishna Rao

Hawaii Colorectal

SB-1035-SD-1

Submitted on: 2/26/2023 4:22:23 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Gerard Silva	Individual	Oppose	Written Testimony Only

Comments:

These are the Biggest Crooks!!!!

SB-1035-SD-1

Submitted on: 2/26/2023 5:30:24 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Laeton J Pang	Individual	Support	Written Testimony Only

Comments:

I'm writing in support of SB 1035 to exempt medical service providers who receive Medicare, Medicaid, and TRICARE payments from the general excise tax. I have been a practicing radiation oncologist in Hawaii since 1994. I serve as President of the Hawaii Radiological Society (HRS), Operations Medical Director of the Cancer Center of Hawaii (the state's busiest radiation therapy treatment provider), as the Radiology Representative to the Hawaii Medical Association, and as the HRS representative to the Radiology Health Equity Coalition. I also hold positions in a number of other local and national professional health care organizations.

The worsening healthcare crisis in Hawaii is a tremendous hardship and source of suffering for our citizens. Enrollment in Hawaii MedQUEST (Medicaid program) has jumped 40% since the start of the COVID-19 pandemic. The 2022 Access to Care CDC funded comprehensive statewide survey of patients and providers found that low-income individuals experience incredible delays and barriers to healthcare services. Native Hawaiians and Pacific Islanders are particularly affected.

Causes for healthcare disparities are multifactorial, but are unquestionably linked to the unremitting decline in our Hawaii physician workforce. The estimated unmet need for physicians is approximately 776 full-time equivalents (FTE) with percentage shortages most profound on the Big Island.

While efforts toward expansion of healthcare training programs and loan repayment play a vital role in physician recruitment and retention, they do not address the challenge facing many physicians currently practicing in Hawaii. A large number of the physician practices do not have the financial capacity to continue providing quality care in the face of ever decreasing Medicare/Medicaid reimbursements coupled with the General Excise Tax (GET). Healthcare providers must absorb this tax, which federal law forbids passing to patients.

As more physician practices are crushed under the heavy weight of practice expenses, our most vulnerable patients, particularly those in rural and underserved communities, cannot access local providers in a timely fashion to receive the diagnosis and treatment they desperately need. HMA urges legislators to support a GET exemption for medical services of Medicare, Medicaid and TRICARE providers, as a reasonable and essential step in the future survival and sustainability of our Hawaii healthcare.

I'm particularly concerned that the provider shortage has reached critical levels and likely to worsen without an immediate multipronged and intentional intervention by our state government since 20-25% of actively practicing physicians are at or near retirement age and there is a nationwide shortage of physicians and nurses that will tend to draw more health care providers away from Hawaii due to the high cost of living and lower reimbursement levels relative to the mainland.

Many of my patients complain that they're unable to secure appointments with other providers in a timely fashion. Access to care issues are especially acute on the Neighbor Islands. Quality healthcare outcomes are down in every category on the Neighbor Islands relative to Oahu. I've heard reports of people moving to the Mainland so that they can get timely medical care. I personally don't think that this is the image that we want to project to the rest of the country, but my fear is that the reality of the provider shortage is about to become our nightmare without serious intervention.

Laeton J Pang, MD, MPH, FACR, FACRO, FACCC

SB-1035-SD-1

Submitted on: 2/26/2023 5:51:01 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Elizabeth Christenson, MD	Individual	Support	Written Testimony Only

Comments:

I suport SB1035 SD1 in order to to prevent physicians burn-out. If physician is burned out - who is to care for patients?

SB-1035-SD-1

Submitted on: 2/26/2023 6:25:40 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Bradford Lee	Individual	Support	Written Testimony Only

Comments:

Reducing the health care GET would help improve access to care for beneficiaries of Medicare, Medicaid, and tricare. These are government provided services to help deserving or financially challenged populations who the government is trying to help in the first place--why are we taxing them to increase their out of pocket costs for health care?

SB-1035-SD-1

Submitted on: 2/26/2023 9:27:55 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Gregory Dunn	Individual	Support	Written Testimony Only

Comments:

I strongly support this bill which helps to support physician practices at a time when the state is in dire need of more physicians due to a severe staffing shortage, which has only been exacerbated by the pandemic recovery and record low unemployment levels across the country. Many of our current physicians in the state are already of retirement age, and it is extremely difficult to attract new physicians to come out to Hawaii due to the high cost of living and difficulty competing with the salaries offered in other states. Once these older physicians retire, it may be impossible to provide services to the local community and access will be severely limited.

February 26, 2023

TO:

Committee on Commerce and Consumer Protection
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

AND

Committee on Ways and Means
Senator Donovan M Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

Hearing Date: March 1, 2023
Conference Room 211 – 9:30 AM

SB1035 SD1 – Relating to General Excise Tax

Most Honorable Chairs: Senator Keohokalole and Senator Dela Cruz; Vice-Chairs: Senator Fukunaga and Senator Keith-Agaran; and Committee Members:

I am in support of SB1035 SD 1. This measure would provide monetary relief in the form of eliminating the General Excise Tax billed to doctors and providers who service patients on Medicare, Medicaid and Tricare. Many patients live in rural communities in our State and have limited access to doctors and clinics. When physician's face extra costs of GET for servicing patients covered by these types of insurance, the patients may discover doctors unwilling to accept them as patients.

The statistics show the need for physicians is very critical and whatever monetary relief can be provided to encourage doctors to remain in rural areas and have a viable business in servicing patients would be a welcomed relief:

“On Molokai, where about 60% of the island’s residents are on Medicaid, there are now fewer than four full-time primary care physician equivalents, according to Kelley Withy, a medical doctor and professor at the University of Hawaii’s John A. Burns School of Medicine. Since the sudden and stacked losses of Thomas and Aluli, there has been about a 50% decrease in physician services available on Molokai, Withy said. Of the doctors left, more than half are of retirement age.”(See Civil Beat.org article: 1/20/2023 entitled: ‘It’s Horrendous’: The Deaths Of 2 Doctors Deepen The Void In Rural Health Care Access,” by Brittany Lyte)

Please vote in support of SB1035 SD1. Thank you for the opportunity to submit testimony on this bill.

Respectfully submitted,
Christine Olah
Honolulu Resident

Kevin L. Johnson, Ko Olina, Hawai'i

The State Legislature
Senate Committees on Commerce and Consumer Protections and
Ways and Means
Wednesday, March 1, 2023, Conference Room 211, 9:30 a.m.

TO: The Honorable Jarrett Keohokalole and Donovan M. Dela Cruz, Chairs
RE: Support for SB 1035, SD1 relating to General Excise Tax

I testify today in **Support of SB 1035, SD1** relating to General Excise Tax (GET).

Among the challenges facing Hawai'i is retention of healthcare workers. This is further exacerbated by the demographics of age and where folks choose to live. Our needs for medical services will continue to grow as we age and people choose to live outside our urban areas.

Newly licensed physicians, like most college graduates, are often greeted by ever growing debt. They must balance their desire to provide their service with the reality of making a living. Obviously they will look for a place of practice with the fewest impediments to striking this balance. As the GET comes solely from their bottom line, practicing in Hawai'i, would not be as desirable as other states not adding this extra tax.

From the business side, healthcare has seen dwindling profit in the last several years. During my career as a pharmacist, I saw my company's margins cut by over one-half, as the insurance industry took over reimbursement rates. In our for-profit healthcare system, the insurance industry is the sole beneficiary at the expense of patient care.

Eliminating the GET on healthcare is fundamentally the proper course of action. Your **Support of SB 1035, SD1** will help ensure our aging population and more rural residents continue to be able to access care.

Sincerely,

Kevin L. Johnson

SB-1035-SD-1

Submitted on: 2/27/2023 7:27:14 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
john lederer	Individual	Support	Written Testimony Only

Comments:

As a provider for cancer patients, every day I see the stress placed on patients by the high cost of medical care . Potentially months or more of therapy often require patients to quit working, placing additional emotional and monetary stress on them.

Eliminating the GET on medical care would spare the patients an additional burden in that the insurers do not cover the tax, placing that burden on our patients.

I appreciate your consideration of this bill!

John Lederer

SB-1035-SD-1

Submitted on: 2/27/2023 7:57:53 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Alfredo Nino M.D.	Individual	Support	Written Testimony Only

Comments:

- I strongly support this bill which helps to support physician practices at a time when the state is in dire need of more physicians due to a severe staffing shortage, which has only been exacerbated by the pandemic recovery and record low unemployment levels across the country. Many of our current physicians in the state are already of retirement age, and it is extremely difficult to attract new physicians to come out to Hawaii due to the high cost of living and difficulty competing with the salaries offered in other states. Once these older physicians retire, it may be impossible to provide services to the local community and access will be severely limited.

SB-1035-SD-1

Submitted on: 2/27/2023 9:09:49 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Allen Novak	Individual	Support	Written Testimony Only

Comments:

I wish to testify in support of SB 1035.

I initially lived on Oahu but have been a resident of Hilo for 30 years and a practicing nurse.

Hawaii has a severe shortage of healthcare providers, with some of the worst shortages of primary care providers in America. The shortage is not as significant on Oahu as it is on the neighbor islands. Hawaii Island has a shortage of over 40%.

I personally have had problems accessing a primary care provider in the East Hawaii Island area, and have not received the healthcare which I, as a nurse, know I needed.

Medical practices are under considerable financial stress due to rapidly rising costs and falling reimbursements from insurance programs. Hawaii's unique taxation of healthcare services with the General Excise Tax amplifies the challenges facing medical practices by taxing gross revenues, even when providers break even or lose money providing healthcare services. One reason medical private practice is dying is because Hawaii has the highest cost of living in the nation, by far, and the near-lowest insurance reimbursements in the nation. On top of that, Hawaii is the ONLY state in the nation to tax the Federal health insurance programs Medicare / Medicaid (Quest) and Tri-Care (military), which combined is 50% of all people in our state. By federal law, this 4.7% GET tax cannot be passed on to patients. A 4.7% GET on practice gross receipts is more like a 11-25% hit to their net income.

I have a private practice serving chronic and severely mentally ill individuals, most of whom I have been seeing for over a decade. Although I originally had planned to retire at age 65, I am now 75 and still practicing because I have been unable to find an East Hawaii Island provider who can carry on the treatment for my patients. I have not been able to tell my patients, with whom I have a long standing therapeutic relationship, that I am retiring and I have no provider to refer them to.

Please help save medical practices in Hawaii by supporting SB 1035!

Allen Novak

SB-1035-SD-1

Submitted on: 2/27/2023 10:21:27 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Dr. Stefan Carl Harmeling (MD)	Individual	Support	Written Testimony Only

Comments:

To Whom,

Our community suffers from poor access to healthcare because of inhibitory costs that creates unfair economic challenges for our medical providers to care for patients, especially the GET on health care facilities, payments and products.

Please support SB1035 to improve the health and wellness of our beloved communities.

Thank you

- Dr. Stefan Carl Harmeling, MD
www.alohanuidpc.com

TESTIMONY RE: SENATE BILL NO. 1035 – RELATNG TO THE GENERAL EXCISE TAX

TO CHAIRS KEOHOKALOLE AND DELA CRUZ, VICE CHAIRS FUKUNAGA AND KEITH-AGARAN AND MEMBERS OF THE COMMITTEE:

My name is Lily Van and I am a clinical ambulatory care pharmacist and I appreciate the opportunity to submit personal testimony in **support** of Senate Bill No. 1035 Relating to the General Excise Tax.

Hawai'i continues to face a shortage of healthcare providers, particularly in rural areas. Each county within the State contains a region that is a medically underserved area. Although I work for one of the largest healthcare systems here in our state, I recognize that our smaller private physician practices provide a substantial and vital role in the continued access to healthcare in our communities.

By passing this measure, medical service providers who receive Medicare, Medicaid and TRICARE payments will be exempt from the general excise tax. This would directly allow for these practices to maintain their businesses and continue to provide healthcare options in our communities. It is becoming increasingly difficult for our private physician counterparts to maintain their practices due to these financial burdens. This results in many private practices choosing to not accept these healthcare plans or closing practices altogether.

Many of my younger physician colleagues are choosing not to return to our home state to practice medicine as a direct result of the financial burdens placed on them. We need to ensure that not only do we continue to support our providers who are trying to serve our communities, but we need to support our patients continue to receive appropriate access to healthcare in our state.

I respectfully and strongly urge the Committee see fit to pass SB1035. Thank you for the opportunity to provide written testimony.

Sincerely,

Lily Van, PharmD, BCACP, CDCES

SB-1035-SD-1

Submitted on: 2/27/2023 11:06:37 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ming Peng	Individual	Support	Written Testimony Only

Comments:

I am a physician radiologist working on the Big Island. Private practice healthcare on Big Island is going extinct. Most physicians on island are at or near retirement age.

I am in strong favor of passage of SB1035 and support other testimony that has already been offered in the passage of SB 1035.

I would like to add the following financial information from a recent report by the John Durham accounting firm. They found that the GET reduction from all private medical services would be \$200 million or only 5.8% of what would be collected in GET for these services.

Likewise, services in Health Professional Shortage Areas such as the Big Island would be \$73 million or 2.1%. Finally, GET reduction from Medicare/Medicaid funded services would only be \$14.6 million. This is only 0.4% of what would be collected in GET for these services! This is in comparison to the \$2.6 billion in budget surplus in 2022! The Hawaii Physician Shortage Task Force believes that these numbers are accurate.

The State of Hawaii has a celebrated tradition of supporting labor, including healthcare workers. Please pass this bill!

Respectfully,

Ming Peng, MD

SB-1035-SD-1

Submitted on: 2/27/2023 11:49:23 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Andy Chon	Testifying for Pacific Radiology Group	Support	Written Testimony Only

Comments:

As the managing partner of our group, we have found it easy enough to find physicians that want to move to Hawaii. However, they are all taking telemedicine jobs where they can make more money working for a state like Virginia rather than serving the community in Hawaii. I can't blame them for taking a job that will pay them more for what they do, all the while being able to live in Hawaii and enjoy everything the islands offer. By removing the GE Tax, it would help make our local jobs look more more competitive. This bills needs to pass to help reduce our physician shortage.

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

Senate Ways and Means Committee

Chair: Senator Donovan Dela Cruz

Vice Chair: Senator Gilbert S.C. Keith-Agaran

Hearing Date: March 1, 2023, 9:30am

Re: SB1035, SD1 - RELATING TO THE GENERAL EXCISE TAX

Aloha Chair Yamashita, Chair Keohokalole, and Committee Members. My name is Linda Dorset, a resident of Wailuku, Maui. I thank you for the opportunity to submit written testimony regarding the above referenced legislation. I strongly support SB1035 that will exempt medical service providers who receive medicare, medicaid, and TRICARE payments from the general excise tax to encourage cost effective patient outcomes.

Hawaii is facing a health care workforce shortage which includes doctors who are retiring, closing practices, or moving to the mainland due to the state's high cost of living. Penalizing providers who are caring for Hawaii's most vulnerable population is discourage them from accepting Medicare patients and further compounding the health disparities among those with limited resources. More and more doctors are not accepting the straight Medicare. Doctors are still willing to accept lower reimbursement from these programs, but are asking for the same tax relief afforded to nonprofit hospitals and other health care facilities. The doctor shortage is prevalent statewide but especially more acute for the neighbor islands. I myself lost one primary provider and two cardiologists in the past several years. One moved to the mainland and another just quit practicing medicine because of the cost and frustration of doing business in Hawaii. The GET is a practice killer for our private medical practices, and I have heard that Hawaii is dead last in the number of providers able to accept Medicare patients. The patients are the ones who suffer.

Us older folks have increasing need for health care increases. The shortage of physicians increases the patient workload on providers and delays timely medical attention which increases risk for poor health outcomes. There are horror stories in Civil Beat and outer island newspapers about cancer patients who had to wait so long to be seen that they died while waiting. Molokai has not yet been able to find replacements for the two doctors that recently passed away.

We need to keep as many doctors in practice and encourage them to accept all patients with different health care coverages.

**Linda Dorset
Wailuku Resident**



Peter A. Matsuura, MD
Orthopaedic Surgery & Sports Medicine

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Diplomate
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Member
American College of Surgeons,
Fellow

Member:
International Arthroscopy Association
International Society of the Knee
Peter J. Fowler, MD Fellowship Association
Arthroscopy Association of North America
American College of Sports Medicine
Orthopaedic Association
Hawaii National Guard, Retired Colonel

February 9, 2023

Dear House and Senate Chairs and Members,

We personally thank you all for your dedication and commitment to represent us in our government. Your role in passing this GET healthcare reform bill on ALL medical services (not just for Medicare, Medicaid and Tricare) will make a huge difference in defending and protecting private medical practices in our state, for no other state taxes medical services.

The implication of this tax is far-reaching particularly to physicians and medical practices who pay the GET as an out-of-pocket expense. With rising inflation and the economic challenges facing small business owners, it has been increasingly difficult to provide efficient and cost-effective medical care to our community. The tax is an irregularity adding complexity and added expense to the revenue cycle management for the medical business. Practices are able to charge the patient for the tax when covered under a commercial plan, yet, not able for patients covered under Medicare, Medicaid and/or Tricare. This irregularity adds complexity for the practice's billing department since the tax must be manually calculated and added to each claim, based on the patient's coverage and then collected. The pandemic caused our practices to face severe loss of revenue in 2020, 2021 and into 2022, against rising costs of supplies and services across the board, heightening the burden of the GET tax particularly on the growing number of Medicare and Medicaid patients (since the tax cannot be passed on to the patient).

We represent one of the few solo private practice orthopaedic surgical offices in Hilo and in the State of Hawaii. We are facing lower Medicare reimbursements in 2023 while the number of Medicare covered patients continue to rise with the aging of our community. The welfare of our community is suffering as the number of private medical practices continue to decrease making it even more difficult for patients to access medical care apart from the federally subsidized entities like the state-run hospital clinics and federally qualified healthcare clinics.

We thank you for your consideration to this plea to vote in FAVOR of the reformation of GET on healthcare services.

Sincerely,

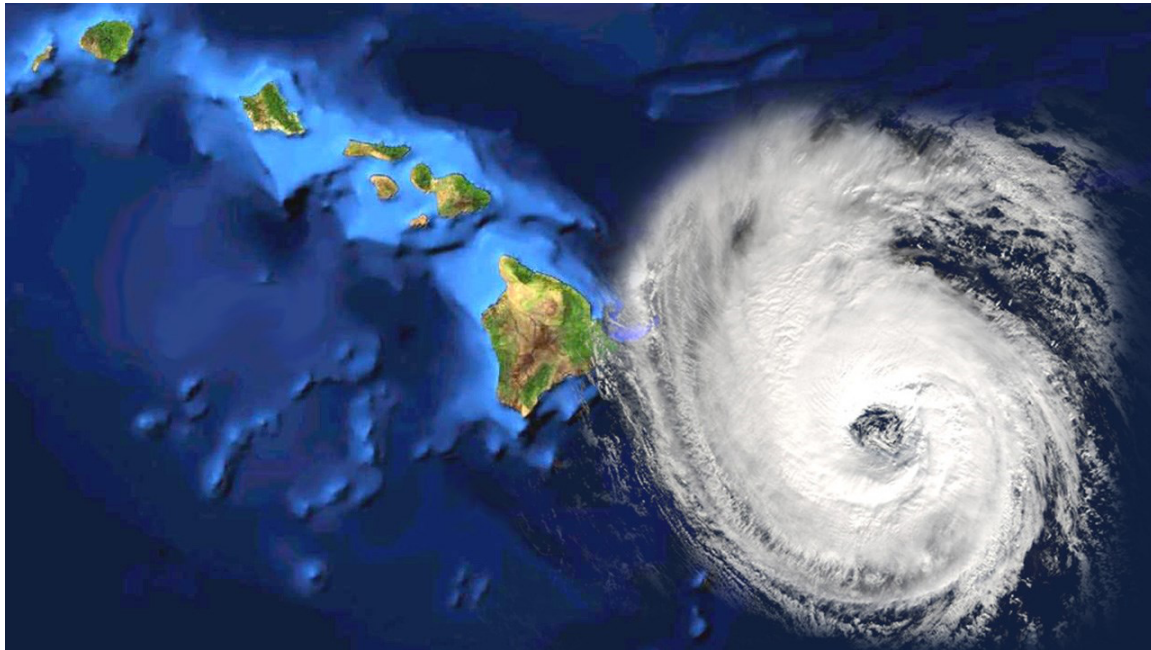
Peter Matsuura, M.D.
Orthopaedic Surgeon

Wendy A. Matsuura
Administrator

Perfect Storm: Aftermath The Hawaii Physician Shortage Crisis 4th Edition. 2023

“Look, look at this. We got Hurricane Grace moving north off the Atlantic seaboard. Huge... getting massive. Two, this low south of Sable Island, ready to explode. Look at this. Three, a fresh cold front swooping down from Canada. But it's caught a ride on the jet stream...and is motoring hell-bent towards the Atlantic. What if Hurricane Grace runs smack into it? Add to the scenario this baby off Sable Island, scrounging for energy. She'll start feeding off both the Canadian cold front...and Hurricane Grace. You could be a meteorologist all your life and never see something like this. It would be a disaster of epic proportions. It would be...the perfect storm.”

The Perfect Storm: Sebastian Junger



“Look, this is bad. The Storm has hit. Medicare payments went down another 2% and adjusted for inflation, have free fallen 22% since 2001. Docs are moving to the mainland. The Hawai'i General Excise Tax is stifling Private Practice. Hawai'i docs are getting older, retiring and dying! There's a 37% shortage of Docs on the Big Island?! And Maui has hit 40%! Medicare ran smack into GET and government looks the other way. Add in payors that benefit when the “Care's Not There

You could be politician all your life and never see something like this. It is an epic self-inflicted disaster. It is the perfect storm.”

Hawaii Physician Shortage Crisis Task Force: John Lauris Wade MD

The Perfect Storm

There is a 40% shortage of physicians on Maui.

There is a 37% shortage of physicians on the Big Island.

There are 3873 unfilled non-physician healthcare jobs in the State.

The number of unfilled jobs has increased 76% increase since 2019.

On average, open positions take 6-12 months to fill. Not a single healthcare profession is in a state of “oversupply.”

The Hawai'i healthcare system is in trouble. Physician supply is the Canary in the Coalmine.

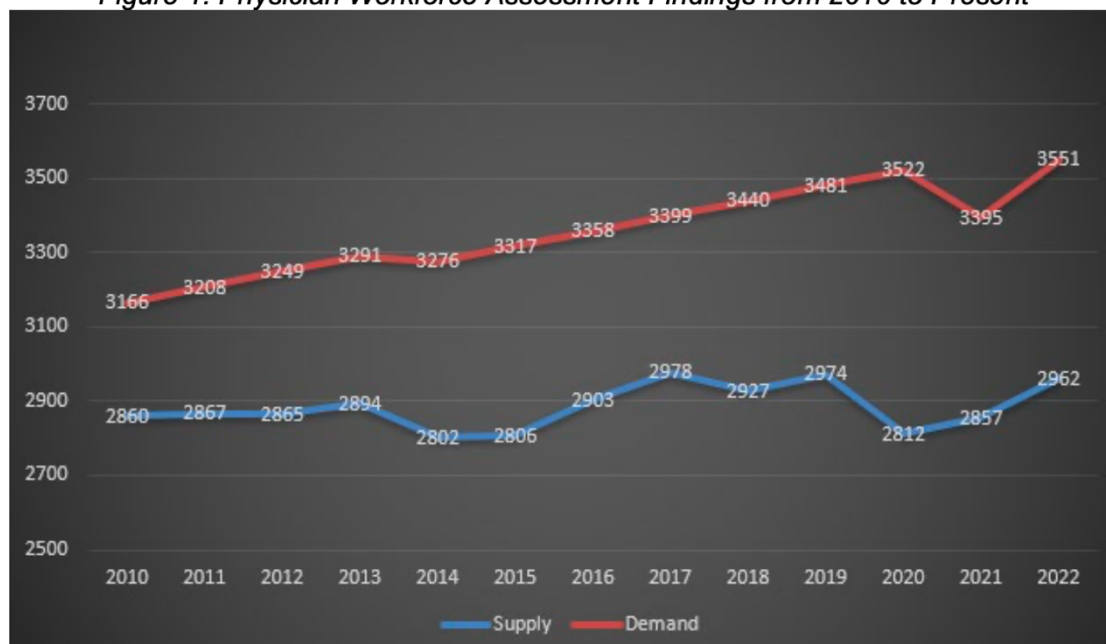
21% of Hawaii physicians are over age 65. Five Hawaii Physicians are still practicing at age 90.

Largely ignored by our Political Leadership, the shortage has existed and grown for more than a decade. The current unmet need is 776 Physicians.

“The Annual Report to the Legislature on Findings from the Hawai'i Physician Workforce Assessment Project” was released in December 2022.

There are three key takeaways.

Figure 1: Physician Workforce Assessment Findings from 2010 to Present



1. Unadjusted statewide demand for Physicians is up 12.2% since 2010.
2. Unadjusted statewide supply is up a mere 2.9% in the same period.

Table 2: Shortage by County (Prior year numbers in parentheses)

	Hawai'i County	Honolulu County	Kaua'i County	Maui County	Statewide
Shortage	183 (187)	382 (344)	45 (43)	167 (158)	776 (732)
Percent	37% (40%)	15% (15%)	26% (26%)	40% (40%)	22% (22%)

3. Shortages are much worse on Neighbor Islands than on Oahu.

For perspective, the first published Annual Report was released 16 years ago. Today's Medical School Seniors were infants when it came out. That's a lot of time to accomplish so little.

Readers with a good memory might recall that the Big Island Physician Shortage measured 53% in 2021 while the statewide shortage was 29%. This "improvement" is an illusion. Measurement methodology changed, the total number of physicians practicing in Hawaii changed little.

Hawaii's total number of FTE Physicians in pre-pandemic 2019 was 2974. That number is now 2962. We lost ground.

Unadjusted Physician Demand is 3551. Supply is 2962. That is a shortage of 559.

"When Island Geography is considered, the estimated unmet need increases to 776."

The current path remains unsustainable.

Healthcare access for our most vulnerable patients is at stake.

Federal Leadership Matters

“We have a doctor shortage crisis in Hawai’i, and it is having a real impact on families living in hard-to-reach areas across the state. We need to bring more doctors to communities that need them most.”

US Senator Brian Schatz (D-HI)

Hawaii’s Healthcare Future

Hawaii residents deserve excellent healthcare. Excellence is driven by attention to quality, cost, and access. The record is outstanding. In 2023 the United Health Foundation ranked Hawaii 3rd healthiest state in the nation. The ranking includes measures of healthy behavior, quality of health care when delivered, health policy, the presence of disease, and measures of deaths from illness.

The Physician Shortage threatens these achievements, particularly for economically vulnerable patients. The Hawaii economy is dependent on travel in a Post Pandemic World. Hawaii needs a robust Healthcare System to fulfill its vision of making Hawaii the “Safest Place on Earth” to which to travel or in which to live.

The Physician Decision

Many factors are involved when choosing a state in which to work and practice medicine. A short list might include school system, local health care, the local economy, state fiscal stability, infrastructure, job opportunity quality, crime, recreational opportunities, and environment.

Medscape 2022 ranks HI as the 21st Best State to Practice Medicine. Hawaii was a loftier 16th in 2020. Wallet Hub 2022 places HI as the #43rd Best State to Practice Medicine, bottom of the pack, when economic issues are more heavily weighted.

World Population Review 2022 outlines what one must accept when living in Hawaii.

- HI Transportation Costs 134 % higher than the National Average.
- HI Grocery Bills 153% higher than the National Average.
- HI Utility Bills 164% higher than the National Average.
- HI Housing Costs 315% higher than the National Average.
- HI Cost of Living 193.3% higher than the National Average

Hawai’i has the highest cost of living in the nation and physicians have voted with their feet. In June 2022, the United States annualized average inflation rate hit 9.1%. That won’t make this better.

**The Hawaii Physician Shortage Crisis Task Force asserts
the Physician Shortage Crisis is primarily driven by economics.**

A Perfect Storm has destroyed the ability to recruit and retain Physicians.

Storm Front 1: **Hawaii Has a Medicare Issue**

Powerful Central Pacific Hurricanes begin as small tropical depressions within the Gulf of Tehuantepec. Similarly, the Hawaii Medicare Crisis begins as a barely noticed feature of the Physician Medicare Payment Formula: GPCI.

Medicare's Primacy

Physician practice revenue has three sources: Medicare and Tricare, Medicaid, and private third party Health Insurers. Medicare payments are based on a formula set by Federal Government. Hawaii Medicaid payments are par with Medicare. Private Health Care Insurers base payment schedules on Medicare. Discussions of Medical Practice revenue streams should largely center on the Medicare Program.

Medicare Payments

Payments are adjusted for geographic differences in market condition and business costs. These geographic adjustments intend to ensure provider payments reflect local costs of rendering care, so Medicare does not overpay in certain areas or underpay in others. The adjustment mechanism is called a GPCI or Geographic Price Cost Indices.

On a simple level Medicare calculates a physician payment as follows.

Payment = (Work RVU * Work GPCI) * Conversion Factor (CF).

Physician compensation largely depends on what task was performed (Work RVU) and where (Work GPCI). This is then converted into dollars by (CF). Small additional payments are added for practice expense and malpractice costs.

Payments are not designed to account for variations in cost of living. CMS does not adjust payments to address workforce shortages or other policy goals. CMS takes the position that preserving access to care and other policy goals must be achieved explicitly through legislation.

Medicare uses a Geographic Practice Cost Index (GPCI) to address cost differences across between different geographic locations.

GPCI: Geographic Price Cost Indices

The Actuarial Research Corporation updates Work GPCI every three years. Work GPCI attempts to capture relative costs of physician labor in a defined geographic area. It does so by comparing non-physician labor in the area to national labor markets using Bureau of Labor and Statistics Data. In other words, GPCI is essentially a ratio of the compensation of seven occupation groups in HI relative to the compensation of the same seven groups in the national labor market. As such, HI physician compensation is pegged to market forces experienced by an array of professionals in Hawaii.

The following table shows Hawaii and National Market compensation for the seven occupational groups used to calculate GPCI. This is 2019 Data from the US Bureau of Labor and Statistics.

Occupation Group	HI	NatMarket	HI Delta
Architecture and Engineering	\$82,600	\$88,800	-7.0%
Computer, Math, Life, Physical Science	\$81,790	\$93,760	-12.8%
Legal	\$86690	\$109,630	-21%
Education, Training, Library	\$54770	\$57,710	-5.1%
RN	\$104060	\$77460	+34.3%
Pharmacists	\$129360	\$125,510	+3.1%
Art, Design, Entertainment, Sports, Media	\$57580	\$61960	-8.1%

Note 5 of 7 occupational groups used to calculate GPCI make less or substantially less than cohorts outside Hawaii. Actuarial Research Company calculates HI GPCI at 1.006. This is only slightly better than the legal minimum of 1.0. HI Physician Medicare rates are low because comparison professional incomes are low.

Medicare GPCI and its Effect on Payments

Medicare pays for physicians' services under Section 1848 of the Social Security Act. The Act requires payments be based on a national uniform Relative Value Unit system. The basic concept and methodology of current Medicare healthcare payments, known as the Resource-Based Relative Value Scale (RBRVS), were enacted in the Omnibus Budget Reconciliation Act of 1989 (OBRA) and implemented by CMS in 1992.

As previously noted, Hawaii GPCI is 1.006 and nationally, GPCI ranges between 1.0 and 1.02 in 62 of the 112 United States CMS designated geographic areas. In some geographic areas, GPCI is substantially higher.

The following illustrates how GPCI affects a payment for a \$100.00 medical service.

State	GPCI	Payment
Ohio	1.0	\$100.00
Hawaii	1.006	\$100.6
California:	1.026-1.089	\$102.60-108.8
Alaska:	1.50	\$150.00

Hawaii Medicare payments are unfair and they are hurting the State of Hawaii and its residents. Hawaii Healthcare Providers are paid as if they practice in a low cost State like Ohio.

“Medicare policy has long failed to account for the unique costs of providing medical services in Hawai’i” and “will likely lead directly to an accelerating shortage of health care providers across our state, especially in rural areas like the Neighbor Islands and more vulnerable communities.”

US Congressman Ed Case (D-HI)

Congressman Case’s statement is supported by Data comparing the costs of living and doing business. World Population Review has examined the 2022 Cost of Living Index State by State. Hawaii is the highest cost state in the nation in which to live and work, far exceeding California and Alaska.

Hawaii and Comparison States Cost of Living

Hawaii	193.3
California	142.2
Alaska	127.1
The United States Cost Index	100
Ohio	91.3

The Hawaii Cost of Living is more than double Ohio, 93% higher than the US, 52% higher than Alaska, and 36% higher than California. Again, there is a disconnect between Hawaii Medicare Payments and reality. The lack of a Medicare Formula answer to these disparities place Hawaii’s most vulnerable communities at risk.

What Cost Change?

By statute, changes to GPCI that do not explicitly receive additional funding must be budget neutral within Medicare. In practice, budget neutrality means that total Medicare Expenditure is unaffected by GPCI adjustments. Any adjustment upward for one payment location must be paid for by downward adjustments for other areas. This requirement can create tensions between providers in high-cost versus low-cost areas. However, there is no net cost to the Federal Government or Taxpayer. Medicare dollars are simply and fairly redistributed.

Alaska: A Brief History of Alaska Medicare

Did you notice the Alaska GPCI of 1.5? It is an outlier. Alaska faces an array of healthcare delivery challenges resulting in high-cost health care cost. Alaska has a small population (731,500) and is geographically isolated from the rest of the United States. The population is widely distributed including remote areas not connected by roads. There are a limited number of medical service providers. There is limited competition among providers, especially specialty physicians due to a limited number of specialists in more remote areas. There is fragmentation and duplication of services driven by geography.

These challenges were exacerbated by, and in turn drove, Alaska's high health care costs in the face of an inadequate Medicare reimbursement system. By 2008, Medicare beneficiaries were experiencing significant challenges to obtaining access to services.

In 2008, the Federal Government responded to Alaska's issues and passed the Medicare Improvements for Patient and Providers Act of 2008 (MIPPA or HR 6331). The Act repealed two statutorily mandated physician payment cuts totaling near 15%. The Act also set the Alaska Work GPCI to 1.5. This did not change with passage of the Patient Protection and Affordability Act in 2010.

Hawaii: Facing Similar Medicare Challenges

While a comparison to Alaska has limitations, Hawaii experiences healthcare delivery challenges very similar to Alaska.

Hawaii faces an array of healthcare delivery challenges resulting in high health care costs. Hawaii has a small population (1,412,690) and is geographically isolated from larger markets by the Pacific Ocean. The Jones Act, and its limitation on shipping, exacerbates isolation. Within state, population is widely distributed on multiple islands dependent on air travel. There are a limited number of medical service providers. There is limited competition among providers, especially specialty physicians due to a limited number of specialists on Neighbor Islands. There is fragmentation and duplication of services driven by Maritime Geography.

These challenges exacerbate, and in turn drive, Hawaii's high health care costs, in the face of an inadequate Medicare reimbursement system. Hawaii currently has the lowest percentage of Physicians accepting Medicare in the Nation. Similar challenges and patient access issues encountered by Alaska years ago were addressed by raising the Physician Work GPCI to 1.5.

It is interesting to note that as of 2016, per beneficiary annual Medicare spending in Alaska was \$6846 and second lowest in the Nation. As of 2016, per beneficiary annual Medicare spending in Hawaii was \$6441 and lowest in the Nation. Take it for what you will but raising Alaska GPCI has not resulted in Medicare overutilization or excessive program cost.

A Simple Medicare Solution

Payments for Physician Services within Medicare are made under authority and within the guidance of Section 1848 of the Compilation of the Social Security Laws.

In 2009, the Medicare Improvements for Patients and Providers Act or MIPPA, (HR 6631 Section 134) set the work geographic index for Alaska to 1.5, if the index would otherwise be less than 1.5 and no expiration was set for this modification.

The HI Medicare issue could be addressed by requesting an amendment to the Social Security Act adding Hawaii to Section 42 U.S.C. 1395w-4(e)(1)(G)) which reads....

For purposes of payment for services furnished in Alaska on or after January 1, 2004, and before January 1, 2006, after calculating the practice expense, malpractice, and work geographic indices in clauses (i), (ii), and (iii) of subparagraph (A) and in subparagraph (B), the Secretary shall increase any such index to 1.67 if such index would otherwise be less than 1.67. For purposes of payment for services furnished in the State described in the preceding sentence on or after January 1, 2009, after calculating the work geographic index in subparagraph (A)(iii), the Secretary shall increase the work geographic index to 1.5 if such index would otherwise be less than 1.5.

Storm Front Two: **Hawaii Has a General Excise Tax Issue**

The Hawaii General Excise Tax

In 1931 Hawaii established a traditional retail sales tax. This effort failed because the retail base was very small during the Great Depression. The sales tax was repealed and replaced by a tax on business. Tax was imposed on all transactions including services. The initial tax rate was set at 1.5%.

Currently, Hawaii levies a 4% General Excise Tax on business for the sale of goods and services. Counties levy an additional tax up to .5%. The GET currently generates more than half of Hawaii State tax revenue. A business may choose to visibly pass on the GET and any applicable county surcharge to its customers, but is not required to do so. The tax is on the business, not the customer.

Hawaii General Excise Tax is levied on the gross receipts of all businesses including private medical practices. Every Medicare, Medicaid, Tricare, and Insurance dollar is taxed. Hawai'i is the only state in the nation that taxes gross receipt private practice medical service revenue in this way. One should note that hospitals and not for profit entities like HMSA are GET exempt.

However, unlike most businesses, private medical practices are unable to "visibly pass" GET taxes to patients. CMS prohibits passing the cost to Medicare patients. Passing GET to Medicaid patients is typically unsuccessful and poses an undesirable barrier to healthcare access. The ability to recoup GET cost from insured patients depends on plan language. GET practice expenses are largely born by physicians.

HI GET Effective Tax Rates

The General Excise Tax Rate of 4.5% seems “small” relative to sales tax in effect in other states. However, the GET Rate is misleading in terms of actual effect.

Gross Revenues of medical practices vary widely. Practice overheads vary but typically average about 70%. The GET of 4.5% is applied to the Gross Revenue of a practice before overhead. Both overhead and GET are then paid, resulting in Net Practice Income. For all levels of Gross Revenue and overhead of 30%, the Effective GET Tax Rate on Net Income is 15%, not 4.5%.

The Bottom Line

- Most Hawaii Physicians pay more in combined General Excise Tax and Hawaii State Income Tax than Federal Income Tax.
- The General Excise Tax burden is typically about twice the HI State Income Tax burden.

The General Excise Tax Solution

During the 2020 Hawai'i Legislative Session, Hawaii Senate Bill 2542 proposed an General Excise Tax Exemption on medical services provided by physicians and APRN's.

A bipartisan legislative effort received the support of 88% of the State Senate and countless State Representatives. The legislation passed through the Senate Ways and Means Committee and the Senate Commerce, Consumer Protection, and Health Committee. The Bill crossed over to the House and was passed by the House Committee on Health.

Key support included then Senator Rosalyn Baker, Representative John Mizuno, then Mayor Harry Kim, the HMA, multiple nursing and physician organizations, the United Public Workers Union, Grassroots, and the HI Public Health Institute.

The Pandemic then closed the 2020 Legislature.

The 2021 Legislature refused to entertain a GET exemption. 2022 legislation died in its first committee.

The Hawaii Healthcare System should push hard for action in the 2023 Legislative Session.

The Perfect Storm: **Medicare Smacks Into GET**

The State of Hawaii and the Counties apply a 4.5% General Excise Tax on all professional medical services. Hawaii is the only state in the nation that taxes gross receipt medical services in this way.

Recall that the Medicare Geographic Price Cost Index (GPCI) lies between 1.0 and 1.02 for the large majority of the United States designated geographic areas. This includes Hawaii with a GPCI of 1.003. California GPCI ranges between 1.021-1.082. The Alaska GPCI is 1.5000. Remember, GPCI is the major determinant of the price of physician medical services.

The Effect in Real Dollars Before and After GET Taxation On a \$100 Healthcare Service

Ohio Healthcare Service Payment (GPCI 1.0)	\$100.00.
California Healthcare Service Payment (GPCI 1.082)	\$108.20
Alaska Healthcare Service Payment (GPCI 1.5)	\$150.00
Hawaii Healthcare Service Payment Pre GET (GPCI 1.003)	\$100.30
HI General Excise Tax:	\$4.52
The Real HI Healthcare Service Payment Post GET	\$95.78

Hawai'i is the only State that taxes gross receipt medical services in this way.

The Direct Result of the Hawaii General Excise Tax is that Hawai'i Healthcare Reimbursement is the Worst in the Nation.

Alaska Physicians get \$150, California Physicians get \$108.20, Hawaii Physicians net \$95.78. No other State's Physicians receive less than \$100!

Hawaii Medical Practices are having difficulty surviving, much less recruiting and retaining young physicians.

Hidden Effect of GET in the Medicare Payment Formula

It gets worse.

Hawaii reports Occupational Group Income Data to the United States Bureau of Labor and Statistics. These incomes are calculated after General Excise Taxes have already been applied. Comparison data used to set physician payments skews low compared to National Labor Markets because of Hawaii's unique taxation system as

applied to gross business receipts. In turn, this drives down Work GPCI. The result is a Medicare Payment discount of between 7-8%. (Math available on request).

GET is applied to this discounted payment, resulting in a further decrease of 4.5%.

The total GET effect on Medical Practice Revenue approaches 12%.

If private practice revenues were GET Exempt, Hawaii Medicare Rates would simply align with California.

HI Medicare and GET in a National Arena

Hawaii competes for Physicians with 49 other States. HI Medicare and GET are like ankle weights in a Marathon. Hawaii is not just losing, it is barely in the game. In April 2019, the Association of American Medical Colleges published The Complexities of Physician Supply and Demand: Projections from 2017 to 2032. This study analyzed the National Physician Workforce.

- The Current National Physician Supply is Approximately 800,000
- The Current National Shortage is about 35,000 or 4.2%. Hawaii's statewide shortage of 24% is near 6X the national shortage.
- In 2030 Physician Supply will be an estimated 850,000. Demand will be 930K.
- The estimated 2030 Physician Shortage is 80,000 or 8.6%. (The range is 46.9-121.9K depending on scenario variables).

Without substantive change, it is not difficult to guess which direction the Hawaii Physician Shortage Crisis will go in such a competitive environment. With mounting national physician shortages, States with better economics are actively recruiting providers. Hawaii Medicare Failure and Hawaii General Excise Tax Policy is driving physicians out.

The 2022 Healthcare Association of Hawaii Workforce Initiative Report supports the view that Hawaii will continue to struggle to maintain, much less build the healthcare workforce. HAH states there are 3873 open non-physician healthcare positions in the State, a 76% increase since 2019. On average, open positions take 6-12 months to fill. Not a single profession is in a state of "oversupply." While Physician supply is the Canary in the Coalmine, the entire system is in trouble.

Storm Front Three: **Hawaii Has a Monopsony Issue**

The Hawaii Medical Service Association (HMSA) is a nonprofit health insurer in the state of Hawaii. HMSA is an independent licensee of the Blue Cross Blue Shield Association.

With more than 700,000 beneficiaries, HMSA has a 2018 Hawaii market share of near 69%. Kaiser Permanente's second place share was 19%. However, the two entity's business models are entirely different. Among companies offering PPO's, the HMSA market share approaches 90%. This has lent HMSA significant pricing power and HMSA typically pays only marginally better than Medicare.

A monopsony is a market condition in which a single or dominant buyer of a market good or service substantially controls the price of said good or service.

For better or worse, HMSA enjoys a monopsony position within Hawaii. This has resulted in the average Hawaii consumer having health insurance costs at or near the lowest in the nation. It has also burdened healthcare providers with some of the country's lowest reimbursement rates. This is despite Hawaii's renowned cost of living. There is absolutely no doubt that HMSA has played a significant role and contributed to the Hawaii Physician Shortage Crisis. Politically, HMSA remains one of the most influential institutions in the state.

Shelter In the Storm: **Hawaii Designated a Medicare** **Health Professions Shortage Area:**

HPSAs are geographic areas, or populations within geographic areas, that lack sufficient health care providers to meet the health care needs of the area or population. The Centers for Medicare & Medicaid Services (CMS) provides a 10 percent bonus payment when Medicare-covered services are rendered to beneficiaries in a geographic HPSA. The bonus is paid quarterly and is based on the amount paid for professional services.

Hawaii County became a Primary Care Type Geographic HPSA effective 9/5/2019. Lisa Rantz, President of the Hawaii Rural Health Association and Executive Director of the Hilo Medical Center Foundation, led this effort with collaborative input from the Hawaii Physician Shortage Crisis Task Force. Should Hawaii solve its Physician Shortage Crisis, these payments will end and will no longer be needed.

After The Storm: **Economic Impacts of Reform**

Hawai'i needs Medicare Payment Reform that address the economic challenges unique to practicing medicine in this state. Hawai'i must also eliminate the General Excise Tax on Physician Medical Services. This two-pronged strategy is the best path toward building a robust Hawaii Healthcare System.

The current Hawai'i Physician Shortage is 776 and growing. Payments Reform and Elimination of GET would create the resources necessary to recruit and retain new Physicians.

As has been previously indicated, at the Federal Level, there is no additional cost to taxpayers. Reforms simply gives Hawai'i its fair share of Medicare dollars.

At the State Level, it should be noted that a GET exemption for Healthcare Services pays for itself. The 2018 American Medical Association study on the National Economic Impact of Physicians shows that every physician in the United States:

- Generates \$3,166,901 in aggregate economic input
- Creates 17 new jobs
- Generates \$1,417,958 in wages and income.
- Generates over \$126,129 in state and local tax revenue.

Using this AMA data, 776 missing physicians in Hawaii would:

- Generate over \$2,457,515,176 in aggregate economic output
- Create 13,192 new jobs
- Generate \$1,100,335,408 in wages and income.
- Generate over \$97,876,104 in state and local tax revenue.

Cost to Hawaii

The US Department of Commerce, Bureau of Economic Analysis has released figures that peg HI Physician Wages and Proprietor Gross Income at \$1.1 Billion dollars. At a GET rate of 4.5%, Hawaii collects about \$50 million dollars in revenue from Physician Proprietors. These dollars are left on the table. In return, Hawaii would collect almost \$97 million, ensure access for its most vulnerable patients, and enjoys a net increase in revenue of \$47 Million. And while collecting additional revenue, Hawaii would have stimulated its economy to the tune of \$2.4 Billion dollars and created more than 13,000 high paying jobs in the healthcare field.

A GET Exemption on Medical Services provided by Physicians and APRN's would be a huge win for the Hawaii Economy.

Storm Report Summary:

“There are risks and costs to action. But they are far less than the long range risks of comfortable inaction.”

President John F Kennedy

1. There is a severe shortage of physicians in Hawaii. The Shortage is greatest on the Neighbor Islands.
2. The Medicare Physician Fee Schedule fails to address the unique economic challenges of practicing medicine in Hawaii. The Hawaii Congressional Delegation should propose legislation amending the Social Security Act.
3. The HI General Excise Tax levied on medical service providers has an outsized and negative effect on Medical Provider Income. The GET taxation mechanism creates, multiplies, and exacerbates economic challenges often attributed to Medicare failure. The Hawaii Legislature and Governor should exempt healthcare payments from GET.
4. The combination of Medicare Payment Reform and elimination of the General Excise Tax on Physician and APRN Medical Services is the single best path toward building a robust Hawaii Healthcare System.
5. Discussions should be started regarding HMSA's role in and responsibility for the Hawaii Physician Shortage Crisis. This discussion should be collaborative.

If Hawaii is ever again to be the Safest Place on Earth to which to travel, or in which to live, the State needs a robust Healthcare System.

Thank you for your consideration.

John Lauris Wade MD
Legislative Liaison
Hawaii Physician Shortage Crisis Task Force

SB-1035-SD-1

Submitted on: 2/27/2023 7:22:24 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jonathan Dworkin	Individual	Support	Written Testimony Only

Comments:

I am an infectious diseases doctor on the Big Island. Coming out of the pandemic, healthcare in Hawai'i is facing its biggest challenge of my career. In some ways, the challenge is even greater than the pandemic itself. We are experiencing extreme problems staffing clinics and providing basic healthcare services, as many people in healthcare either retire or leave the state. In my rural clinic we have had nearly 100% staff turnover in the past year, making it extremely difficult to care for an aging population of baby boomers.

Lots of ink has been spilled trying to analyze WHY we are losing providers and ancillary staff. I do suspect the pandemic was a factor, with people feeling burned and unappreciated by the misinformation, the paranoia, and the conspiracy theories, as well as the hostility directed at us by some patients.

But it's also hard to feel appreciated when the state makes the practice environment more economically challenging than it needs to be. A continued tax on healthcare - in an environment of high inflation and high cost of living - may be the final nail in the coffin for healthcare in Hawai'i, especially on the neighbor islands.

We should want MORE doctors to live and set up practices here. Instead the state is taxing them at a rate that makes it difficult for us to maintain our independence and prosperity. I payed over \$10K in GE taxes last year, despite maintaining a very modest practice. I payed that bill despite seeing all of my other costs fly upwards. I feel deeply committed to Hawai'i, but even I found myself wondering if that commitment is mutual, and whether my family would be better off elsewhere.

I understand the financial constraints of state government. But instead of asking, "where will the money come from?," and stopping there, I encourage you to ask a different but related question: "Who do we want to attract to Hawai'i and keep here for the next generation?"

If the answer is physicians, nurses, and all the other people who fought for the state through the pandemic, and helped it achieve the lowest mortality in the country, then readjust this tax accordingly. Do your part to make life here a little easier for us.

Mahalo for your consideration!

SB-1035-SD-1

Submitted on: 2/27/2023 11:03:57 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Eric Wyatt	Individual	Support	Written Testimony Only

Comments: Hawaii with its GE tax is the only state that taxes health care providers for Medicare, Medicaid and Tricare programs placing an undue burden on healthcare providers who by federal law cannot pass this cost on. With current reimbursement levels this often results in a loss for the providers or markedly decreases their income. I have seen this personally in my practice. I made Hawaii home almost 23 years ago and am that last physician hired by the group that has stayed. In that time we have had 20 physicians come and leave the state. In large part due to financial issues. our practice has decreased in size and we are unable to hire or attract new physicians as the older ones retire. I don't want to join the ones that have left but may have to make that decision due to declining income and inability to pay for appropriate staffing. Although it may not be as noticeable on Oahu, here in Hawaii, the pressure this excessive tax burden placed on private practices has driven many to retire early or leave after opening a practice after a few years. This has caused an extreme shortage of qualified providers. Our ER and hospitals are constantly over capacity because people lack the ability to get health care outside of that system. Not only are they unable to get continuity of care they deserve from having a primary care provider, the state and insurance companies end up paying more for ER visits than outpatient visits. It also decreases the quality of care for other patients in the hospital who are now served by overworked staffing. Compounding on this, I have seen many nurses retire or quit their jobs because of job burn out. Other bills I've seen such as giving a tax credit to patients will not address the issue of lack of providers who will still be forced to pay the GE tax since they are unable to pass that expense along to many of their patients. We need more providers and this is only one part of many that will be needed before the situation improves. Passing this bill will help attract and retain the physicians needed in our state to provide the care our people need. Based on previous analysis by Dr Wade it will also create more jobs as more practices open and hire staff, offsetting the slight decline in revenue the state receives. Not passing this will only continue the downward trend I have seen in the health care provided and place increasing burden on the already strained system. Maybe you are not aware of how close the system is to crashing being sheltered as lawmakers, but not acting now will end up being more expensive in terms of the health of the population and in terms of fixing the problem of physician shortage. Eric R Wyatt MD

ALISTAIR W BAIROS, MD, CWSP, FACCWS

General Surgery, Wound Care Specialist

PO Box 670
Kealahou, Hawaii 96750
28 February 2023

RE: **SB1035 SD1 - Remove GET for Medical Services**

Aloha Senators:

My name is Ali Bairos; I am a General Surgeon on the Kona coast of Hawai'i Island. After premed at UH Manoa, med school in Canada, surgery residency at UH and the Mainland, I came home, to practice in Kealahou, the only place I have ever practiced, 38 short years ago.

I am now an aging physician and, problem is, no one is coming to replace me, or my many aging colleagues. The reasons why have been well-documented, for years now, and are thoroughly detailed in the many presentations addressed to your committee.

I won't recite those many reasons for supporting SB1035 SD1 – they stand solidly by themselves. But I will tell a short story, a history, our history:

Time was when Hawai'i strove to be a leader in healthcare. The Prepaid Health Care Act of 1974 was truly historic – the first in the nation to set minimum standards of health care coverage for workers. Just 14 years a state, the youngest state, and Hawai'i- nei was leading the way. Others came to us for advice; we were riding the wave, owning the wave. And why, why did we do it? There were lots of reasons...but the bottom line was that it was pono – it was the right thing to do for our island community. It was a true example of government doing what it should do best - adding a bit of security to life's vagaries.

Fast forward – nobody's coming for advice now – in oh-so-many sad statistics we're literally circling the drain. And, as you've so often heard, particularly on the neighbor islands. Surgeons, by nature, are privy to life and death dramas, where mere seconds count, or you're counted out, so this is where I get brutally blunt: people are literally and truly dying, some right now, today, some in slow motion, on the neighbor islands because of the lack – in some cases, full absence – of access to needed care. It's meaningless to tout insurance coverage rates if they're no practitioners to see those covered.

Is it pono for a distressed teenager to languish in an ER for days awaiting access to life-altering mental health services – hopefully in time! Is it pono for auntie harboring a breast cancer for far too long because diagnostic & treatment services aren't accessible because the doc and nurses fled to the Mainland? Is it pono for an elderly lady desperately needing care to be offered an appointment 6 ½ weeks from now, because that's the best an overworked, short-staffed clinic can offer? This is an acute DEFCON 1 condition – it cannot be stated more plainly – the folks above are real, they are at risk of life and limb, disease and disability due to the withering practitioner workforce on Hawai'i Island.

That, Senators, is where the rubber – and SB1035 SD1 – meets the road: access to care! That's where SD1035 SD1 translates into bettering the lives of our fellow citizens. Not a be-all nor an end-all, but one step, not so much taking down a barrier, but building a bridge towards where we want our healthcare to be - a true example of government doing what it can do - adding a bit of security to life's vagaries. Making things pono.

Please, for the love of your fellow citizens, support and pass SB1035 SD1.

Mahalo, nui loa,


Ali Bairos, MD, CWSP, FACCWS

SB-1035-SD-1

Submitted on: 2/28/2023 5:58:18 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Nash Witten	Individual	Support	Written Testimony Only

Comments:

As a born and raised, as well as trained, Family Physician working in two rural Oahu communities, Haleiwa and Waianae, I strongly support this bill that will bring parity in how the general excise tax is applied to healthcare providers who care for patients with Medicare, Medicaid, and TRICARE insurance.

SB-1035-SD-1

Submitted on: 2/28/2023 6:43:10 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Raydeen Busse MD	Individual	Support	Written Testimony Only

Comments:

Thank you for allowing me to submit my testimony in support of SB1035 SD1.

I have been a practicing OB-GYN physician in Hawaii since 1992 and it is very puzzling to me that we are one of two states that still charge an excise tax on medical care and the only state that taxes healthcare provided under Medicaid, Medicare or TRICARE. This charge can and is passed onto patients; and this tax is NOT covered by their medical insurance. This is an unnecessary burden on our Kupuna (or anyone, for that matter) on fixed incomes who utilize medical care proportionately more than our younger residents. We don't pay taxes on prescription drugs and medical devices; why should we pay taxes on medical services? The cost of medical services will continue to rise; but we can mitigate this in an impactful way by passing SB1035.

Additionally, any incentive that can be given that will make it possible for physicians to not leave their practices in Hawaii due to practice hardship or to bring more physicians and providers to Hawaii will help to address our physician shortage which is at a crisis point, I believe. I had a patient call me the other day as she was not able to find a primary care physician who could see her for a year!!! for a general exam that she's been putting off since the pandemic. I know of at least 12 OB-GYNs who have retired or left their practice prematurely over the past 2 years who have been in the community for many years therefore have many patients that need to find a new OB-GYN; but have been unsuccessful in finding one in a timely fashion or at all so, they have delayed needed care. This is not the Hawaii that we want for us, is it? If we bring in more physicians to take care of our ohana, this will ultimately have a positive economic outcome to our State, yes? It makes sense. Please support SB1035 SD1. The time is NOW. Mahalo.

February 28, 2023

Dear Chair Keohokalole, Chair Dela Cruz, and Members of the Committees,

Thank you for your consideration of SB1035 (Companion Bill to HB662) as it relates to GET exemption of medical services provided by health care providers to patients who receive Medicare, Medicaid, and TRICARE benefits. Passing this measure will

Hawaii has the lowest rate of Medicare acceptance in the entire Nation¹. We have a physician shortage in Hawaii, particularly on the neighbor islands.² The physicians on Oahu are tasked with caring for patients from all islands. It is increasingly difficult to obtain a visit with a primary care physician or a specialist, especially if you have Medicare, Medicaid, or TRICARE. This problem will only get worse if we do not take active steps towards finding a resolution.

The problem is multifactorial and we must address all root causes – some of these are economic. The Hawaii GE tax law is part of the problem for both patients and physicians. Hawaii is only one of two states in America that imposes gross receipt tax on *all* healthcare services, and *we are the only state that taxes gross reimbursements on Medicare and TRICARE services*^{3,4}. In Hawaii, medical practices visibly pass-through the GE tax to patients with private/commercial insurance. This GE tax is particularly financially impactful to patients requiring recurring medical treatment such as recurrent chemotherapy infusion, regular allergy shots, rehabilitation care, multiple cardiac testing for chest pain, or regular office visits to treat their diabetes. Is it ethical to tax patients for medical care that is medically necessary in addition to their copays and premiums? Why are we one of the few states taxing patients for being sick?

On the physician side, the GE tax is most relevant to physicians who take care of patients with Medicare/Medicaid/TRICARE, our more vulnerable population of patients. **The GE tax cannot be passed on to patients with Medicare⁵/Medicaid⁶/TRICARE⁷**. Hawaii already has one of the lowest Medicare reimbursements in the nation⁸ and the GE tax amplifies this further, making Hawaii's effective net Medicare reimbursement rate the lowest in the country⁹. Taken together with the fact that reimbursement rates are significantly higher for private insurance¹⁰ and that we have a significant physician workforce shortage in Hawaii¹¹, this creates a situation where medical practices may select patients based on their insurance carrier to remain economically viable. I would hypothesize that many other types of businesses would also fail in Hawaii if they too could not pass through the GE tax.

References

¹ <https://www.beckersasc.com/asc-coding-billing-and-collections/10-states-with-the-lowest-highest-medicare-acceptance-rates.html>

² [file:///ewr-dc01/Folder%20Redirection/cpau/Downloads/act18-sslh2009_2023_physician-workforce_annual-report_508%20\(2\).pdf](file:///ewr-dc01/Folder%20Redirection/cpau/Downloads/act18-sslh2009_2023_physician-workforce_annual-report_508%20(2).pdf)

³ <https://salestaxhelp.com/medical-services-taxable>

⁴ https://www.nmms.org/wp-content/uploads/2018/08/grt_updated_guide_2007.pdf

⁵ Medicare regulations (42 CFR sec. 424.55(b)) prohibit the surcharging of most additional costs to patients, including taxes. Medicare Claims Processing Manual, ch. 23, sec. 80.3.1.A (<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c23.pdf>)

⁶ Network provider agreements prohibit providers from passing along the GET to Medicaid beneficiaries

⁷ https://www.tricare-west.com/content/hnfs/home/tw/prov/res/provider_news/clarification-on-hawaii-general-excise-tax-reimbursement.html (More information about sales tax in the TRM, Chapter 5, Section 1 and TRICARE Policy Manual, Chapter 1, Section 12.1)

⁸ <https://www.gao.gov/assets/720/718915.pdf>

⁹ The Perfect Storm SB1035 testimony submitted by Dr. John Lauris Wade

¹⁰ <https://www.kff.org/medicare/issue-brief/how-much-more-than-medicare-do-private-insurers-pay-a-review-of-the-literature/>

¹¹ <https://www.ahec.hawaii.edu/workforce-page/>

With the high cost of practice in Hawaii and the challenges of growing competition with hospitals to retain qualified staff, most small medical clinics operate on small margins, especially in rural areas. Many of my colleagues have had to make the difficult decision to discharge their patients once they transition to Medicare/Medicaid in order to meet their financial obligations and keep their clinic open. Can you imagine being a patient and not being able to see your doctor of 20+ years anymore just because you are retired and have Medicare? These patients shift to centers such as ours, but due to the volume and physician shortage, our patient wait time often exceed 6 months, which contributes to delays in diagnosis and treatment. I have personally continued to see Medicare and Medicaid patients because I grew up in Palolo Housing and was a former Medicaid beneficiary in my childhood, so *I have a social debt of gratitude to repay*. However, my colleagues may not have this debt, so we need to remove the barriers preventing their ability to care for these patients. We need more medical practices to accept Medicare, Medicaid, and TRICARE, and need to actively eliminate contributory barriers.

The truth is this: Physicians *don't want to* select patients based on their health insurance, *but many have to* make that difficult decision in order to keep their practice sustainable. Hence, **the GET inadvertently creates and promotes a selection bias, with Medicare, Medicaid, and TRICARE patients left at a disadvantage. It doesn't feel right because it is not right.** Neither physicians nor patients should be placed in this situation. Yet, physicians still have a choice to accept private insurances only. Only the patients with Medicare/Medicaid/TRICARE are left without options. Thus, the GET is not truly a physician's dilemma. This is a patients' dilemma affecting healthcare access and options, and patients with Medicare, Medicaid, and TRICARE are being left behind.

Please pass this bill – we cannot allow the pool of practices accepting Medicare, Medicaid, and TRICARE to shrink any further. Help us to retain and recruit healthcare providers to care for our kūpuna, keiki, and veteran 'ohana and provide them with access to healthcare that they deserve.

With gratitude for your consideration of GE tax reform,

Cindy Pau, M.D.

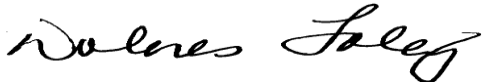
Hearing Date: March 1 at 10:00 am
RE:SB 1035 SD1
Submitted by Dolores Foley

LATE

TESTIMONY ON SENATE BILL 1035 exempts GET taxation on health care providers especially doctors who provide care to Medicare, Medicaid
exempts

- Dolores Foley supports Senate Bill (SB) 1035
- Hawaii is facing a health care workforce shortage which includes doctors who are retiring, closing practices or moving to the mainland due to the state's high cost of living.
- As people get older, their need for health care increases. The shortage of physicians increases the patient workload on providers and delays timely medical attention which increases risk for poor health outcomes.
- Penalizing providers who are caring for Hawaii's most vulnerable population will only discourage them from accepting these patients and further compound the health disparities among those with limited resources.
- State must look at all different solutions to keep our health providers in practice so that they can continue to care for our aging population

Mahalo for the opportunity to testify



Dolores Foley

LATE

Hearing Date: March 1 at 10:00 am
RE:SB 1035 SD1

February 28, 2023

Aloha Chair Keohokalole, Vice Chair Fukunaga, Chair Dela Cruz, Vice Chair Keith-Agaran, and
Committee Members:

Thank you for your consideration of SB1035 (Companion Bill to HB662) related to GET exemption of
medical services provided by health care providers to patients who receive Medicare, Medicaid, and
TRICARE benefit.

I strongly support SB1035 (Companion Bill to HB662)

The high cost of living and low reimbursement coupled with GET makes it difficult for physicians
especially for those who see patients with Medicare/Medicaid/TRICARE. This has the biggest effect on
those with these insurance plans since they may be unable to see a physician in a timely manner. This
will ultimately delay treatment and potentially lead to worsening conditions.

We should be supporting our community to help give them access to healthcare providers.

Please consider SB1035.

Mahalo for the opportunity to testify,

Alan A. Parsa, MD

LATE

SB-1035-SD-1

Submitted on: 2/28/2023 11:53:12 PM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ian E. Guerrero	Individual	Support	Written Testimony Only

Comments:

I fully support SB1035 because it is the morally right thing to do. I believe if hospital employed physician groups are exempted from the GET , i can not see why it should not be applied the same to community based physicians when in fact we all advocate for what is best for the health of the people in Hawaii. It puts a strain of the survivability of the independent community physician private practices in the island because of the current difficult current economic environment forcing some to close. This leads to job loss, more physician shortage and health disparity in general w/c we can no longer afford to happen. I believe it will be a moral booster for everyone that SB1035 be passed. So i echo and support the stand of PMAH thru our leadership in this regard. Mahalo!

LATE

SB-1035-SD-1

Submitted on: 3/1/2023 5:34:42 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Chrystie Fujimoto	Individual	Support	Written Testimony Only

Comments:

As a practicing OB/GYN in Hawaii I support this bill.
Chrystie Fujimoto MD

LATE

SB-1035-SD-1

Submitted on: 3/1/2023 8:05:55 AM

Testimony for WAM on 3/1/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Byron Izuka, MD	Individual	Support	Written Testimony Only

Comments:

I am in support of SB 1035 for the simple fact that fewer and fewer healthcare providers are willing to accept patients with Medicare/Medicaid due to the poor reimbursement. This in turn gives patients less access to care, especially excellent care as the busiest and most experienced providers are the ones most likely to "not need these type of insurances" in their practice - more often, only the inexperienced providers who are trying to build up their practice are willing to accept M/M and then, once they are busy enough, they discontinue doing so. This obviously is not sustainable.

Given Hawaii's small circle of close contacts, we ALL know someone who depends on M/M for their healthcare needs - giving them the best access makes sense and the only way to do so is for the reimbursements to be competitive. Otherwise, "you get what you pay for". This is true for hamburgers as well as for healthcare.

Sincerely,

Byron Izuka, MD

Associate Professor, Division of Orthopaedic Surgery, John A Burns School of Medicine

Assistant Chair, Perioperative Committee, Kapiolani Medical Center for Women & Children



JOEY Y. KOHATSU, M.D., LLC

INTERNAL MEDICINE
GERIATRIC MEDICINE

LATE

1329 Lusitana Street, Ste. 303 · Honolulu, HI 96813 · Tel (808) 807-0311 · Fax (808) 807-0322

Date: February 28, 2023

Re: SB 1035 SD1 Relating to General Excise Tax
Position: Support

My name is Joey Kohatsu. I am a Primary Care Physician board certified in Internal Medicine and Geriatric Medicine. I am in solo private practice in Honolulu, Hawaii.

This testimony is in **STRONG SUPPORT** of SB1035 SD1 Relating to General Excise Tax.

The healthcare crisis and provider shortage in Hawaii is worsening over time. Access to care is a problem especially for those with Medicare and Medicaid.

Although there are several well-meaning and much appreciated initiatives to help address this including loan repayment and expansion of training programs there is one area that has yet to be addressed... a GET exemption for medical services.

Hospitals and hospital-employed provider services are already exempt from the GET. This legislation would ensure uniformity and fairness for all those providing medical services.

A GET exemption for medical services would not solve the doctor shortage in and of itself, but it would be a welcome lift for the private practices in our State. It would also go a long way to help with the ever increasing overhead and sluggish updates to reimbursement rates. With this additional initiative I am hopeful that more providers would be encouraged to stay in Hawaii to practice and improve access to care for our residents.

Thank you for this opportunity to submit written testimony in **STRONG SUPPORT** of this measure.

Respectfully,


Joey Y. Kohatsu, MD